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Strategy Report**

**Volume II**

**Money Laundering and Financial Crimes**

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## Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CBP	Customs and Border Protection
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Combating the Financing of Terrorism
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DHS/HSI	Department of Homeland Security/Homeland Security Investigations
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FI	Financial Institution
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
FTZ	Free Trade Zone
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFILAT	Financial Action Task Force of Latin America

GIABA	Inter Governmental Action Group against Money Laundering
IBC	International Business Company
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service Criminal Investigative Division
ISIL	Islamic State of Iraq and the Levant
KYC	Know-Your-Customer
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
ML	Money Laundering
ML/TF	Money Laundering/Terrorist Financing
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
MVTS	Money Value Transfer Service
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
PEP	Politically Exposed Person
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TF	Terrorist Financing

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TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UNGPML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	United States Agency for International Development
USG	United States Government

## Definitions

**Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT):** Collective term used to describe the overall legal, procedural, and enforcement regime countries must implement.

**Bearer Share:** A bearer share is an equity security that is solely owned by whoever holds the physical stock certificate. The company that issues the bearer shares does not register the owner of the stock nor does it track transfers of ownership. The company issues dividends to bearer shareholders when a physical coupon is presented.

**Black Market Peso Exchange (BMPE):** One of the most pernicious money laundering schemes in the Western Hemisphere. It is also one of the largest, processing billions of dollars' worth of drug proceeds a year from Colombia alone via trade-based money laundering (TBML), "smurfing," cash smuggling, and other schemes. BMPE-like methodologies are also found outside the Western Hemisphere. There are variations on the schemes involved, but generally brokers contact importers in the country receiving the money who want to buy goods from a U.S. business. Drug dollars are used to pay the exporter on behalf of the foreign importer. The importer pays the broker in local currency; the broker takes a cut and passes along the remainder to the responsible drug cartel.

**Bulk Cash Smuggling:** Bulk cash refers to the large amounts of currency notes criminals accumulate as a result of various types of criminal activity. Smuggling, in the context of bulk cash, refers to criminals' subsequent attempts to physically transport the money from one country to another.

**Cross-border currency reporting:** Per FATF recommendation, countries should establish a currency declaration system that applies to all incoming and outgoing physical transportation of cash and other negotiable monetary instruments.

**Counter-valuation:** Often employed in settling debts between hawaladars or traders. One of the parties over-or-undervalues a commodity or trade item such as gold, thereby transferring value to another party and/or offsetting debt owed.

**Currency Transaction Report (CTR):** Financial institutions in some jurisdictions are required to file a CTR whenever they process a currency transaction exceeding a certain amount. In the United States, for example, the reporting threshold is \$10,000. The amount varies per jurisdiction. These reports include important identifying information about account holders and the transactions. The reports are generally transmitted to the country's financial intelligence unit (FIU).

**Customer Due Diligence/Know Your Customer (CDD/KYC):** The first step financial institutions must take to detect, deter, and prevent money laundering and terrorism financing, namely, maintaining adequate knowledge and data about customers and their financial activities.

**Digital Currency:** Digital currency is an internet-based form of currency or medium of exchange, distinct from physical currencies or forms of value such as banknotes, coins, and gold.

It is electronically created and stored. Some forms are encrypted. They allow for instantaneous transactions and borderless transfer of ownership. Digital currencies generally can be purchased, traded, and exchanged among user groups and can be used to buy physical goods and services, but can also be limited or restricted to certain online communities such as a given social network or internet game. Digital currencies are purchased directly or indirectly with genuine money at a given exchange rate and can generally be remotely redeemed for genuine monetary credit or cash. According to the U.S. Department of Treasury, digital currency operates like traditional currency, but does not have all the same attributes; i.e., it does not have legal tender status.

**Egmont Group of FIUs:** The international standard-setter for financial intelligence units (FIUs). The organization was created with the goal of serving as a center to overcome the obstacles preventing cross-border information sharing between FIUs.

**FATF-Style Regional Body (FSRB):** These bodies – which are modeled on FATF and are granted certain rights by that organization – serve as regional centers for matters related to AML/CFT. Their primary purpose is to promote a member jurisdiction’s implementation of comprehensive AML/CFT regimes and implement the FATF recommendations.

**Financial Action Task Force (FATF):** FATF was created by the G7 leaders in 1989 in order to address increased alarm about money laundering’s threat to the international financial system. This intergovernmental policy making body was given the mandate of examining money laundering techniques and trends and setting international standards for combating money laundering and terrorist financing.

**Financial Intelligence Unit (FIU):** In many countries, a central national agency responsible for receiving, requesting, analyzing, and/or disseminating disclosures of financial information to the competent authorities, primarily concerning suspected proceeds of crime and potential financing of terrorism. An FIU’s mandate is backed up by national legislation or regulation. The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit

**Hawala:** A centuries-old broker system based on trust, found throughout South Asia, the Arab world, and parts of Africa, Europe, and the Americas. It allows customers and brokers (called “hawaladars”) to transfer money or value without physically moving it, often in areas of the world where banks and other formal institutions have little or no presence. It is used by many different cultures, but under different names; “hawala” is used often as a catchall term for such systems in discussions of terrorism financing and related issues.

**Hawaladar:** A broker in a hawala or hawala-type network.

**International Business Company (IBC):** Firms registered in an offshore jurisdiction by a non-resident that are precluded from doing business with residents in the jurisdiction. Offshore entities may facilitate hiding behind proxies and complicated business structures. IBCs are frequently used in the “layering” stage of money laundering.

**Integration:** The last stage of the money laundering process. The laundered money is introduced into the economy through methods that make it appear to be normal business activity,

to include real estate purchases, investing in the stock market, and buying automobiles, gold, and other high-value items.

**Kimberly Process (KP):** The Kimberly Process was initiated by the UN to keep “conflict” or “blood” diamonds out of international commerce, thereby drying up the funds that sometimes fuel armed conflicts in Africa’s diamond producing regions.

**Layering:** This is the second stage of the money laundering process. The purpose of this stage is to make it more difficult for law enforcement to detect or follow the trail of illegal proceeds. Methods include converting cash into monetary instruments, wire transferring money between bank accounts, etc.

**Legal Person:** An individual, company, or other entity that has legal rights and is subject to obligations. In the FATF Recommendations, a legal person refers to a partnership, corporation, or other established entity that can conduct business or own property, as opposed to a human being.

**Mutual Evaluation (ME):** All FATF and FSRB members have committed to undergoing periodic multilateral monitoring and peer review to assess their compliance with FATF’s recommendations. Mutual evaluations are one of the FATF’s/FSRB’s primary instruments for determining the effectiveness of a country’s AML/CFT regime.

**Mutual Evaluation Report (MER):** At the end of the FATF/FSRB mutual evaluation process, the assessment team issues a report that describes the country’s AML/CFT regime and rates its effectiveness and compliance with the FATF Recommendations.

**Mobile Payments or M-Payments:** An umbrella term that generally refers to the growing use of cell phones to credit, send, receive, and transfer money and digital value.

**Natural Person:** In jurisprudence, a natural person is a real human being, as opposed to a legal person, which may be a private or public organization. In many cases, fundamental human rights are implicitly granted only to natural persons.

**Offshore financial center:** Usually a low-tax jurisdiction that provides financial and investment services to non-resident companies and individuals. Generally, companies doing business in offshore centers are prohibited from having clients or customers who are resident in the jurisdiction. Such centers may have strong secrecy provisions or minimal identification requirements.

**Over-invoicing:** When money launderers and those involved with value transfer, trade-fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost more than they are actually worth. This allows one party in the transaction to transfer money to the other under the guise of legitimate trade.

**Politically Exposed Person (PEP):** A term describing someone who has been entrusted with a prominent public function, or an individual who is closely related to such a person.

**Placement:** This is the first stage of the money laundering process. Illicit money is disguised or misrepresented, then placed into circulation through financial institutions, casinos, shops, and other businesses, both local and abroad. A variety of methods can be used for this purpose, including currency smuggling, bank transactions, currency exchanges, securities purchases, structuring transactions, and blending illicit with licit funds.

**Shell Company:** An incorporated company with no significant operations, established for the sole purpose of holding or transferring funds, often for money laundering purposes. As the name implies, shell companies have only a name, address, and bank accounts; clever money launderers often attempt to make them look more like real businesses by maintaining fake financial records and other elements. Shell companies are often incorporated as IBCs.

**Smurfing/Structuring:** A money laundering technique that involves splitting a large bank deposit into smaller deposits to evade financial transparency reporting requirements.

**Suspicious Transaction Report/Suspicious Activity Report (STR/SAR):** If a financial institution suspects or has reasonable grounds to suspect that the funds involved in a given transaction derive from criminal or terrorist activity, it is obligated to file a report with its national FIU containing key information about the transaction. In the United States, SAR is the most common term for such a report, though STR is used in most other jurisdictions.

**Tipping Off:** The disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party. The FATF Recommendations call for such an action to be criminalized.

**Trade-Based Money Laundering (TBML):** The process of disguising the proceeds of crime and moving value via trade transactions in an attempt to legitimize their illicit origin.

**Trade Transparency Unit (TTU):** TTUs examine trade between countries by comparing, for example, the export records from Country A and the corresponding import records from Country B. Allowing for some recognized variables, the data should match. Any wide discrepancies could be indicative of trade fraud (including TBML), corruption, or the back door to underground remittance systems and informal value transfer systems, such as hawala.

**Under-invoicing:** When money launderers and those involved with value transfer, trade fraud, and illicit finance misrepresent goods or services on an invoice by indicating they cost less than they are actually worth. This allows the traders to settle debts between each other in the form of goods or services.

**UNSCR 1267:** UN Security Council Resolution 1267 and subsequent resolutions require all member states to take specific measures against individuals and entities associated with the Taliban and al-Qaida. The “1267 Committee” maintains a public list of these individuals and entities, and countries are encouraged to submit potential names to the committee for designation.

**UNSCR 1373:** UN Security Council Resolution 1373 requires states to freeze without delay the assets of individuals and entities associated with any global terrorist organization. This is

significant because it goes beyond the scope of Resolution 1267 and requires member states to impose sanctions against all terrorist entities.

**UNSCR 1988:** UN Security Council Resolution 1988 requires all UN member states to take measures to freeze without delay the assets and economic resources of designated individuals and entities of the Taliban, and other individuals, groups, undertakings, and entities associated with the Taliban. In addition, member states must prevent the designated individuals or entities from entering into, or transiting through, the member state's territory. An "Afghanistan Sanctions Committee" oversees the implementation of the sanctions.

**UNSCR 2178:** UN Security Council Resolution 2178 requires member states to, consistent with international law, prevent the "recruiting, organizing, transporting or equipping of individuals who travel to a State other than their States of residence for the purpose of the perpetration, planning of, or participation in terrorist acts." The resolution was primarily created to disrupt the travel and support of foreign terrorist fighters associated with the Islamic State in Iraq and the Levant (ISIL), al-Nusra Front (ANL) and other affiliates or splinter groups of al-Qaida.

**Zakat:** One of the five pillars of Islam, translated as "alms giving." It involves giving a percentage of one's possessions to charity. Often compared to tithing, *zakat* is intended to help poor and deprived Muslims. The Muslim community is obligated to both collect *zakat* and distribute it fairly.

## **Money Laundering and Financial Crimes**

## Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2016 INCSR is the 32nd annual report prepared pursuant to the FAA.<sup>1</sup>

The FAA requires a report on the extent to which each country or entity that received assistance under chapter 8 of Part I of the Foreign Assistance Act in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" ("1988 UN Drug Convention") (FAA § 489(a)(1)(A)).

Although the 1988 UN Drug Convention does not contain a list of goals and objectives, it does set forth a number of obligations the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering; to control chemicals that can be used to process illicit drugs; and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to evaluating performance under the 1988 UN Drug Convention: illicit cultivation, production, distribution, sale, transport and financing, money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2016 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA §489(a)(3)(C)). The INCSR also is required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA §489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. Additionally, money laundering activity has moved beyond banks and traditional financial institutions to other non-financial businesses and professions and

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<sup>1</sup> The 2016 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2016 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Specifically, the U.S. Treasury Department's Office of Terrorist Financing and Financial Crimes, which has unique strategic and tactical perspective on international anti-money laundering developments. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Homeland Security Investigations and Customs and Border Protection; Department of Justice's Asset Forfeiture and Money Laundering Section, Criminal Division, National Security Division, Office of International Affairs, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development, Assistance, and Training; and, Treasury's Financial Crimes Enforcement Network, Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance is the independent Board of Governors of the Federal Reserve System.

alternative money and value transfer systems. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose financial institutions and/or non-financial businesses and professions or other value transfer systems engage in transactions involving significant amounts of proceeds from all serious crime. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. In such jurisdictions, quick, continuous, and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

**Major Money Laundering Countries in 2015:**

**Afghanistan, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Belize, Bolivia, Brazil, British Virgin Islands, Burma, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Curacao, Cyprus, Dominican Republic, France, Germany, Greece, Guatemala, Guernsey, Guinea-Bissau, Haiti, Hong Kong, India, Indonesia, Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Kenya, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Sint Maarten, Somalia, Spain, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, West Bank and Gaza, and Zimbabwe.**

The Money Laundering and Financial Crimes section provides further information on these countries/jurisdictions, as required by section 489 of the FAA.

## Introduction

The *2016 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as “Major Money Laundering Countries” have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where it has been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. Country reports also provide links to the Department of State’s “Country Reports on Terrorism” so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country’s AML/CFT capacity and the effectiveness of its programs.

In addition, the report details United States government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2015, U. S. government personnel continued to leverage their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring, and support for supervisory, law enforcement, prosecutorial, customs, and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time, will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering remains a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials, and destabilization of their economies. The development of new technologies and the possibility of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal, and intelligence communities.

The continued development of AML/CFT regimes, as reflected in this report, is vital to countering these threats. Political stability, democracy, and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State’s Bureau for International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

## **Bilateral Activities**

### **Training and Technical Assistance**

During 2015, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, regulators, supervisors, prosecutors and the judiciary the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Additionally, training in money laundering awareness has been provided to both government and private sector entities to enhance their understanding of money laundering detection and the international standards. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

## **Board of Governors of the Federal Reserve System**

The Board of Governors of the Federal Reserve System (FRB) conducts a Bank Secrecy Act (BSA) and Office of Foreign Assets Control (OFAC) compliance program review as part of its regular safety-and-soundness examination. These examinations are an important component in the United States' efforts to detect and deter money laundering and terrorist financing. The FRB monitors its supervised financial institutions' conduct, including domestic supervised organizations, for BSA and OFAC compliance.

Internationally, during 2015, the FRB conducted training and provided technical assistance to banking supervisors in AML/CFT tactics during two seminars; one in Washington, D.C. and one in the British Virgin Islands. Countries participating in these FRB initiatives were Aruba, Bahamas, Bermuda, Barbados, British Virgin Islands, Curacao, Haiti, Hong Kong, India, Jamaica, Jordan, Lebanon, Malawi, Malta, Malaysia, Nigeria, Philippines, Seychelles, St. Kitts, Sint Maarten, Suriname, Trinidad and Tobago, and Turks & Caicos Islands.

Due to the importance that the FRB places on international standards, the FRB's AML experts participate regularly in the U.S. delegation to the FATF and the Basel Committee's AML/CFT expert group. The FRB is also an active participant in the U.S. Treasury Department's ongoing Private Sector Dialogue conferences. Staff also meets frequently with industry groups and foreign supervisors to communicate U.S. supervisory expectations and support industry best practices in this area.

## **Department of Homeland Security**

### **Customs and Border Protection**

Customs and Border Protection (CBP) participates in the Homeland Security Investigations (HSI) Cross Border Financial Investigations Training (CBFIT), designed to educate participants on financial crimes. CBP's attendance increases the participants' knowledge of money laundering; including what it is, why it exists, and who engages in it. CBP's main role during this course is to cover the topics of Bulk Cash Smuggling, Post Seizure Analysis, Passenger Analysis and Selectivity, Targeting and Interdiction, and Reviewing Cargo Documents. Participants in the CBFIT courses in which CBP participated include Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jordan, Kenya, Kuwait, Nigeria, Panama, Paraguay, Philippines, Saudi Arabia, Senegal, Tanzania, Togo, Turkey, and the United Arab Emirates.

### **Homeland Security Investigations**

In 2015, HSI, the investigative arm of the U.S. Department of Homeland Security (DHS), provided financial investigations training to over 1,100 foreign law enforcement officers; regulatory, intelligence, and administrative agencies; and judicial authorities from over 20 nations. Employing broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendees with the critical skills necessary to successfully identify and investigate financial crimes.

#### **Cross Border Financial Investigations Training Program**

HSI's CBFIT program provides specialized training, technical assistance, and best practices related to cross-border financial investigations to foreign law enforcement personnel, intelligence and administrative agencies, and judicial authorities. CBFIT provides foreign partners with the capability to implement international standards, with special emphasis on new technologies, dissuasive actions, competent authorities, international cooperation, alternative remittance, and cash couriers.

The U.S. Department of State provided HSI with funds to manage and implement the CBFIT program and to enhance the ability of foreign law enforcement personnel to deter terrorists and terrorist groups. HSI International Operations administered the CBFIT program and provided blocks of training detailing cross-border financial crimes, new trends and aspects of money laundering, and sharing of best practices on how to initiate multi-jurisdictional investigations following bulk cash interdiction incidents. During fiscal year 2015, HSI International Operations conducted 23 CBFIT training events for several countries, including Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jordan, Kenya, Kuwait, Nigeria, Panama, Paraguay, Philippines, Saudi Arabia, Senegal, Tanzania, Togo, Turkey, and the United Arab Emirates.

#### **Cross Border Financial Investigations Advisor**

HSI special agents are deployed for extended periods of time to foreign posts to serve as resident Cross Border Financial Investigations Advisors (CBFIA). For the entire length of the temporary duty assignment, the advisors work in support of the HSI attaché with appropriate host nation agencies (customs/border authorities, investigators, prosecutors, financial investigations units, etc.) to organize and conduct financial investigation training seminars at various locations within each host nation. Moreover, the advisors are available to host nation authorities for response to incidents involving the discovery or interdiction of currency or other financial instruments and the development of financial investigations. This provides the host nation the opportunity to employ the material and tactics learned in the classroom in a real world setting, while at the same time having the benefit of the experience, guidance, and investigative resources of HSI. During fiscal year 2015, HSI deployed 18 subject matter experts to serve as advisors under the CBFIA program in Argentina, Brazil, India, Indonesia, Jordan, Kenya, Nigeria, Panama, Paraguay, Philippines, Tanzania, and the United Arab Emirates.

### **Trade Transparency Units**

Trade Transparency Units (TTUs) are designed to help identify significant disparities in import and export trade documentation and identify anomalies related to cross-border trade that are indicative of international trade-based money laundering (TBML). TTUs generate, initiate, and support investigations and prosecutions related to TBML, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, HSI and participating foreign governments are able to see both sides of import and export transactions for commodities entering or exiting their countries, thus assisting in the investigation of international money laundering organizations. The number of TBML investigations emerging from TTU activity continues to grow.

The United States established a TTU within HSI that generates both domestic and international investigations. HSI continues to expand the network of operational TTUs, which now includes Argentina, Australia, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru, and the Philippines. As part of the TTU initiative, HSI provides equipment and increased operational support to these TTU partners to ensure the network's successful development.

## Department of Justice

### Drug Enforcement Administration

The Drug Enforcement Administration's (DEA's) Office of Financial Operations (FO) provides guidance to DEA's domestic and foreign offices, as well as international law enforcement agencies, on issues relating to all aspects of financial investigations. FO works in conjunction with DEA offices, foreign counterparts, and other agencies to effectively identify the financial infrastructure supporting drug trafficking organizations and provide its financial expertise to fully dismantle and disrupt all aspects of these criminal organizations. Additionally, FO facilitates cooperation between countries, resulting in the identification and prosecution of drug money laundering organizations as well as the seizure of assets and the denial of revenue. FO regularly briefs and educates United States diplomats, foreign government officials, and military and law enforcement counterparts regarding the latest trends in money laundering, narco-terrorism financing, international banking, offshore corporations, international wire transfers of funds, and financial investigations.

FO conducts international training for foreign counterparts to share strategic ideas and promote effective techniques in financial investigations. During 2015, FO provided training on basic money laundering, trade based money laundering, undercover financial operations, basic financial investigations, and financial intelligence to Peruvian law enforcement in Lima, Peru; Dutch, Belgian, French, Spanish, and Italian law enforcement in Deauville, France; Australian law enforcement in Manly and Canberra, Australia; the Royal Thailand Police in Bangkok, Thailand; as well as the Senegalese Gendarmerie in Dakar, Senegal on the development of money laundering profiles and risk assessment strategies and programs.

### Federal Bureau of Investigation

The Federal Bureau of Investigation (FBI), through an agreement with the Department of State and other agencies, provided training and/or technical assistance to law enforcement personnel in the Philippines and Southeast Asia. All the trainings and technical assistance programs were designed to enhance host country law enforcement capacity to investigate and prosecute money laundering and terrorism financing crimes. The original agreement was intended to support capacity building efforts from the beginning of fiscal year 2014 through the end of fiscal year 2015. A new agreement was recently signed to extend the program through the end of fiscal year 2017.

As part of this program, an interagency law enforcement task force, the Joint Terrorism Financial Investigation Group (JTFIG), was established in the Philippines. The JTFIG meets weekly to address terrorism financing threats in the Philippines and Southeast Asia and includes representatives from the FBI, the Philippine Anti-Money Laundering Council, the Philippine National Bureau of Investigation Counter-Terrorism Division, the Philippine Center on Transnational Crime, and Philippine National Police representatives from the Directorate for Intelligence, Intelligence Group, Criminal Investigation and Detection Group, Special Action Force, Anti-Kidnapping Group, and Anti-Cybercrime Group. To support the initiative, FBI Los

Angeles has deployed agents to Legat Manila, on a continuing temporary duty basis, to work with Philippine agencies through the JTFIG and provide terrorism financing trainings, in collaboration with the FBI's Terrorist Financing Operations Section (TFOS), to law enforcement entities in the Philippines and throughout Southeast Asia.

Another large component of this initiative is to help enhance the overall counterterrorism capacity in Southeast Asia, by training law enforcement agencies in countries throughout the region on various components of terrorism financing networks and operations. During the last year, TFOS agents have provided weeklong terrorism financing trainings to law enforcement officials in the Philippines, Indonesia, and Malaysia. In addition, specific follow-up blocks of training have been provided to individuals in the Philippines, Thailand, Malaysia, and Indonesia. TFOS also provided training in Vietnam.

In September 2015, the "Financial Investigations for Terrorist Financing, Money Laundering, and Other Complex Crimes" was held in Doha, Qatar. Attendees were 30 Pakistani officers with oversight of complex financial crime investigations. Objectives for the program include developing knowledge and skills in the following areas: modern basic financial investigation techniques, including international best practices; identifying patterns of criminal activity linked to terrorist and other criminal organizations; interpreting and analyzing suspicious transaction reports; mitigating and combatting threats from emerging technologies; securing, analyzing, and using financial evidence in criminal trials; asset identification, confiscation, and management; the development and use of human intelligence; and the development and use of task forces.

The FBI also conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2015, the FBI delivered training to 610 students from 15 countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 214 students from nine countries in the Supervisory Criminal Investigators Course. At ILEA Gaborone, the FBI provided training to 245 students from 19 African countries. At ILEA San Salvador, the FBI provided training to 576 students from 19 Latin American countries.

Additionally, the FBI provided courses in various countries regarding AML/CFT and related topics. Courses on money laundering and associated topics, such as illicit finance and cybercrime, were held in Brazil, Ghana, and Italy. Seminars and workshops on terrorist financing were given in several locations to participants from Colombia, Georgia, Ghana, Mauritius, Paraguay, Seychelles, and Uruguay. A seminar on terrorism and weapons of mass destruction was held in Albania. Finally, workshops on financial intelligence and asset forfeiture/money laundering were given in Tunisia and Morocco, respectively.

## **Office of Overseas Prosecutorial Development, Assistance and Training; the Asset Forfeiture and Money Laundering Section; and the Counterterrorism Section**

**Office of Overseas Prosecutorial Development, Assistance and Training's (OPDAT) Training and Technical Assistance Program**

OPDAT assesses, designs, and implements training and technical assistance programs for U.S. criminal justice sector counterparts overseas. OPDAT draws upon the AML/CFT expertise within the Department of Justice (DOJ), including the Criminal Division's Asset Forfeiture and Money Laundering Section (AFMLS), the National Security Division (NSD), and U.S. Attorney's Offices to train and advise foreign AML/CFT partners.

In addition to training programs targeted to a country's immediate needs, OPDAT also provides long-term, in-country assistance through Resident Legal Advisors (RLAs). RLAs are federal prosecutors who work directly with counterparts in legal and law enforcement agencies to provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. To promote reforms within the criminal justice sector, RLAs provide assistance in legislative drafting; modernizing institutional structures, policies and practices; and training law enforcement personnel, including prosecutors, judges, and – in collaboration with DOJ's International Criminal Investigative Training Assistance Program (ICITAP) – police and other investigative officials. OPDAT often works with other donors and multilateral organizations as well.

In 2015, OPDAT, AFMLS, and NSD met with and provided presentations to more than 30 international visitors from more than 10 countries on AML and/or CFT topics through the State Department-led International Visitors Leadership Program (IVLP). Presentations covered U.S. policies to combat terrorism, U.S. legislation and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes and national and international cooperative efforts to combat criminal and terrorist activity, and strategies for countering radicalization and violence. Of great interest to visitors is the balancing of civil liberties and national security issues, as well as FATF compliance and implementation.

### **Anti-Money Laundering/Asset Forfeiture/Fraud**

In 2015, OPDAT and AFMLS provided assistance in drafting AML statutes compliant with international standards and related confiscation legislation, and provided training to foreign judges, prosecutors, and law enforcement officials; legislators; customs, supervisory, and financial intelligence unit personnel; and private sector participants. The content of individual technical assistance programs varied depending on the participants' specific needs, but topics addressed in 2015 include the investigation and prosecution of complex financial crimes, economic crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; pre-seizure planning and asset management issues; counterfeiting; real estate fraud; digital currency, and international mutual legal assistance. AFMLS experts participated in a variety of conferences and seminars around the world, including in China, Philippines, Ukraine and Thailand.

Based on guidance and recommendations from OPDAT's RLA, with support from Treasury and other DOJ components, Algeria released new AML/CFT guidelines in September 2015 related to freezing terrorist assets that close a potential loophole in the existing regime. As a result of U.S. government technical assistance, which included NSD and OPDAT, on October 23, 2015, the

FATF removed Algeria from its Public Statement, a list of countries with strategic deficiencies in their AML/CFT regimes.

OPDAT designed and implemented a five-day curriculum on Financial Investigations and Money Laundering in Panama in August 2015, creating an interagency train-the-trainers group of prosecutors, judges, investigators, forensic accountants, and financial analysts. The Panamanian trainers have since delivered the program twice in 2015, and will continue to deliver the program to criminal justice and other practitioners in 2016. AFMLS, OPDAT, and the Office of International Affairs provided several days of training in the Philippines in May 2015 focused on money laundering, confiscation, and mutual legal assistance to further AML and asset confiscation programs, particularly involving financial crimes and corruption. AFMLS also provided advice on the Philippines' draft legislation governing management of seized assets stemming from narcotics and money laundering offenses.

AFMLS, working with OPDAT and UNODC, provided technical assistance to representatives of the Government of Indonesia in drafting legislation for non-conviction based confiscation. In August 2015, AFMLS provided lectures on using AML and asset forfeiture provisions in all types of corruption cases at a training organized by APEC. AFMLS participated in the Treasury-led U.S.-China SED (Strategic and Economic Dialogues) sessions focusing on AML/CFT in April and December 2015. AFMLS also provided lectures to a delegation of Chinese judges and lawyers as part of a conference organized by the International Law Institute in August 2015 in Washington, D.C., relating to money laundering and asset confiscation; as well as, in May 2015, on money laundering, confiscation, and mutual legal assistance to a delegation of judges, prosecutors, and lawyers from Brazil.

AFMLS, working with OPDAT, over a period of months in 2015, provided advice and made recommendations to a delegation of Ukrainian officials and NGOs who were working to reform Ukraine's asset management and asset confiscation legislation. AFMLS provided extensive background materials and examples of policies and legislation and met with the delegation. AFMLS followed up with specific comments on the legislation the Ukrainians developed.

In 2015, AFMLS also provided technical assistance to the governments of Panama and Ecuador on AML legislation, and to Costa Rica and the Dominican Republic on confiscation of criminal proceeds, including for money laundering offenses. DOJ officials also participated in a symposium on a legislative proposal for asset confiscation under the laws of the Dominican Republic in the Dominican Republic.

### **Terrorism/Terrorist Financing**

In 2015, funding from the Department of State's Bureau of Counterterrorism supported eight RLAs, located in Algeria, Bangladesh, Iraq, Kenya, Panama, Senegal, Turkey, and the United Arab Emirates (UAE) to focus on AML/CFT efforts. The RLA for the UAE is responsible for OPDAT program activities in the UAE, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, and Yemen. Additionally, in 2015, the Regional Security Initiative supported an Intermittent Legal Advisor (ILA) for Colombia and Paraguay. RLAs in the Philippines, Indonesia, and Malaysia are partially supported by funds earmarked for counterterrorism. Working in countries

deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes, and developing counterterrorism legislation that comports with international standards. The RLAs implement these programs by providing training, assistance in legislative drafting, and support for the countries' AML/CFT efforts.

In October 2015, AFMLS conducted a week-long conference for a delegation of Lebanese judges and prosecutors working on non-conviction based confiscation legislation and reforming their asset management operations. In December 2015, AFMLS participated in AFAR, the Arab Forum on Asset Recovery in Tunisia, including making presentations and conducting bilateral meetings with representatives from countries working to recover assets for Arab Spring countries. The conference was organized by Germany, Qatar, and Tunisia with support from the US.

Some highlights of the RLAs' efforts in 2015 include assistance to the Governments of Bangladesh, Pakistan, Panama, and Turkey on the development of AML/CFT legislation. Indonesia passed a CFT law in 2013 and the OPDAT RLA is now working with the Government of Indonesia to implement this law. Panama passed a comprehensive AML-CFT law in 2015, to include the freezing of terrorist assets, and the OPDAT RLA worked on the development of the legislation and corresponding regulations and continues to assist with implementation. In addition, NSD and OPDAT have provided bilateral technical assistance, via the relevant RLAs and ILAs, to the Governments of Algeria, Bahrain, Indonesia, Iraq, and the Maldives.

Additional OPDAT activities focusing on AML/CFT topics were conducted in Algeria, Bangladesh, Colombia, Egypt, Indonesia, Jordan, Kenya, Malaysia, Mauritania, Niger, Nigeria, Philippines, Qatar, Panama, Paraguay, Turkey, the UAE, and Yemen. NSD met with delegations from and provided capacity building on AML/CFT topics to countries such as Algeria, Argentina, Brazil, Chile, Colombia, Egypt, El Salvador, Iraq, Kenya, Kuwait, Jordan, the Maldives, Oman, Panama, Paraguay, Peru, Saudi Arabia, Lebanon, Qatar, Tunisia, and Turkey.

## Department of State

The U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs (INL) Office of Anti-Crime Programs helps strengthen criminal justice systems and the abilities of law enforcement agencies around the world to combat transnational criminal threats before they extend beyond their borders and impact our homeland. Through its international programs, as well as in coordination with other INL offices, other bureaus of the Department of State, U.S. government agencies, and multilateral organizations, the INL Office of Anti-Crime Programs addresses a broad cross-section of law enforcement and criminal justice sector areas including: counter-narcotics; drug demand reduction; money laundering; financial crime; terrorism financing; transnational crime; smuggling of goods; illegal migration; trafficking in persons; border controls; document security; wildlife trafficking; corruption; cybercrime; organized crime; intellectual property rights; police academy development; and assistance to law enforcement, judiciaries, and prosecutors.

In 2015, INL-funded training was delivered to many countries. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), and the U.S. Department of the Treasury, INL and the State Department's Bureau for Counterterrorism work collectively to implement a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of countries which are vulnerable to being used for financing terrorism. The capacity to thwart the funding of terrorism is linked to a robust AML regime. In 2015, this collaboration provided a variety of law enforcement, regulatory, and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards; the training of law enforcement, the judiciary, and financial sector regulators; and the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions and regions where the programs are targeted.

The State Department, in conjunction with DHS' Homeland Security Investigations and the Department of Treasury, has supported the establishment and development of eight trade transparency units (TTUs) in the Americas. The misuse of trade is often used in counter-valuation and is the common denominator in most of the world's informal money and value transfer and remittance systems. These informal schemes are vulnerable to exploitation not only by money launderers but also terrorism financiers. TTUs, designed to help identify significant disparities in import and export trade documentation, continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs fosters the sharing of disparities in trade data among countries and is a potent weapon in combating customs fraud and trade-based money laundering.

In 2015, INL also provided support to the UN Global Programme against Money Laundering (GPML). In addition to sponsoring money laundering technical assistance workshops and providing short-term training courses, GPML's mentoring program provides advisors on a long-

term basis to specific countries or regions. GPML mentors have focused on providing support and assistance to regional asset recovery networks in South Africa and South America, as well as promoting the establishment of similar asset forfeiture support networks in West Africa and the Asia Pacific region. The resident mentor based in South Africa continued to implement and monitor the Prosecutor Placement Program, an initiative aimed at building the capacity of prosecutors involved in asset forfeiture actions. The GPML mentor in Central Africa focused on assisting the Task Force on Money Laundering in Central Africa (GABAC) to become a FATF associate member. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. The Mekong Delta mentor has recently begun working with Burma's government to assist in the development of such a regime. GPML continues to develop interactive computer-based programs for distribution, translated into several languages.

INL has established and continues to support programs incorporating intermittent or full-time legal, FIU, asset forfeiture, and law enforcement mentors at selected overseas locations. These advisors, be they U.S. government or GPML, work directly with host governments to assist in the creation, implementation, and enforcement of AML/CFT measures. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

INL continues to provide significant financial and substantive support for many of the anti-money laundering bodies around the globe. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a financial and/or participative supporter of FATF-style regional bodies' secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), the Financial Action Task Force of Latin America (GAFILAT), the APG, GABAC, and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

INL also supports the capacity building efforts by the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee through program design, sustained engagement, and funding. OAS/CICAD has successfully improved the capacity of investigators, prosecutors, and judges throughout Latin America through its mock investigation and trial workshops and its confiscated criminal assets management programs. OAS/CICAD also continues to work with FIUs.

INL supports additional efforts, including those focusing on non-bank financial institutions and the issue of remittances, by working with other bureaus within DOS, GPML, other international organizations, and other countries.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial, and central bank authorities. The goal is to design and provide training and technical assistance for countries that demonstrate the political will to develop viable

AML/CFT regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South America, and Eastern Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies.

## **International Law Enforcement Academies (ILEAs)**

The International Law Enforcement Academies (ILEA) program is an interagency effort to combat international crime through training and capacity building for foreign criminal justice personnel. The ILEA program helps to protect U.S. interests through enhanced international cooperation; and to promote social, political, and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships among American law enforcement agencies and their counterparts around the world. The program has grown to five academies worldwide, and has provided training to over 50,000 students from over 85 countries in Africa, Europe, Asia, and across Latin America. The Department of State coordinates with the Departments of Justice, Homeland Security, and Treasury, as well as foreign government counterparts to implement the ILEA program.

In addition to core programs, the ILEA curriculum includes specialized short courses for law enforcement or criminal justice officials on specific topics. Additionally, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counterterrorism.

## Department of the Treasury

### Financial Crimes Enforcement Network

The Financial Crimes Enforcement Network (FinCEN) is the U.S. financial intelligence unit (FIU). During 2015, FinCEN conducted bilateral and multilateral training and assistance with foreign counterpart FIUs and various agencies and departments. This included spearheading a project aimed at multilateral information sharing between various FIUs to analyze and combat ISIL's efforts with regard to terrorist financing. FinCEN hosted the Turkish FIU for a bilateral Analyst Exchange program to enhance its analytic capabilities and strengthen operational collaboration with FinCEN through exchange and analysis of ISIL-related financial intelligence data. Goals included providing participants an overview of each FIU's capacities and programs as well as identifying, tracking, and developing actionable ISIL-related operational intelligence through joint analysis of previously exchanged financial intelligence data.

FinCEN also coordinated with regional partners and the Egmont Group of FIUs to hold major courses on FIU strategic analysis. FinCEN implemented the Egmont Strategic Analysis Course for Financial Intelligence Units of the Latin America Financial Action Task Force in Lima, Peru. FinCEN facilitated the training to 31 participants from 12 countries, which was planned for and conducted entirely in Spanish. This program gave participants an understanding of the skills, practices, and standards required to prepare quality strategic intelligence reports.

FinCEN also implemented an Analyst Exchange program with the Kenyan FIU. Such a program promoted good governance and anti-corruption efforts. Additionally, FinCEN held bilateral discussions with the Uganda FIU and talks with high-level Ghanaian officials.

### Internal Revenue Service, Criminal Investigations

For calendar year 2015, the Internal Revenue Service, Criminal Investigation (IRS-CI) continued its involvement in international training and provided technical assistance to international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes, and preventing public corruption. With funding provided by the U.S. Department of State (DOS) and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs. Training consisted of Financial Investigative Techniques (FIT), Fraud and Public Corruption, Special Investigative Techniques (SIT), and Law Enforcement Leadership Development (LELD) courses at the International Law Enforcement Training Academies (ILEA).

#### Financial Investigative Techniques Training

In 2015, IRS-CI conducted FIT courses funded by an interagency agreement between the DOS and IRS-CI. Fifteen courses were conducted in the Ivory Coast, Brazil, China, Indonesia, South Africa, Kenya, Panama, El Salvador, Thailand, Trinidad and Tobago, Tanzania, and Hungary. Over 500 individuals participated in these courses.

### **International Law Enforcement Academy Training**

IRS-CI participated in training at the ILEAs located in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. Programs included support for the LELD courses, plus FIT and Fraud and Public Corruption training.

During 2015, IRS-CI participated in training programs at the ILEAs for participants from Albania, Antigua and Barbuda, Bahamas, Barbados, Belize, Bosnia and Herzegovina, Botswana, Bulgaria, Burundi, Colombia, Comoros, Costa Rica, Democratic Republic of Congo, Dominican Republic, El Salvador, Gabon, Grenada, Guatemala, Guyana, Haiti, Honduras, Hungary, Jamaica, Kazakhstan, Kenya, Kosovo, Lesotho, Macedonia, Madagascar, Mauritius, Mexico, Moldova, Panama, Paraguay, Peru, St. Lucia, St. Kitts, Tanzania, Togo, Ukraine, Uruguay, and Zambia.

### **Other Training Initiatives**

From July 13 through July 25, 2015, IRS-CI conducted two one-week Fraud and Public Corruption courses at ILEA Bangkok in Bangkok, Thailand. At least 78 participants attended the training. Participants from Laos, Malaysia, Thailand, and Vietnam attended.

From July 20 through July 25, 2015, IRS-CI provided an instructor for the “Fundamentals of the Accusatory System” course in Mexico City, Mexico. This training was sponsored by the Department of Justice Overseas Prosecutorial Development Assistance and Training (DOJ-OPDAT).

From September 21 through September 25, 2015, IRS-CI conducted Fraud and Public Corruption training in Brasilia, Brazil. Forty-four participants attended the course that was funded by DOS-CT.

Finally on November 30 through December 11, 2015, IRS-CI hosted twenty-one participants from Colombia for the Policia Economica Financiera Comprehensive Financial Investigations Course that was held at NCITA. The course was funded by DOS-INL and NAS.

### **Office of the Comptroller of the Currency**

The U.S. Department of Treasury’s Office of the Comptroller of the Currency (OCC) charters, regulates and supervises all national banks and federal savings associations in the U.S. Its goal is to ensure these institutions operate in a safe and sound manner and comply with all consumer protection and AML laws and implementing regulations. In 2015, the OCC sponsored several initiatives to provide AML/CFT training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorism financing typologies and improve their ability to examine and enforce compliance with national laws. The 2015 AML School was attended by foreign supervisors from Canada, China, Hong Kong, India, Indonesia, Malaysia, Panama, South Korea, Singapore, Tanzania, and Turkey. In addition to organizing

and conducting schools, OCC officials also met individually, both in the U.S. and overseas, with representatives from foreign law enforcement authorities, financial intelligence units, and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agencies' risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

The OCC continued its industry outreach efforts to the international banking community during 2015 by participating with other federal banking agencies in regulator panels at the Institute of International Bankers, and the Association of Certified Anti-Money Laundering Specialists' 14th Annual International Anti-Money Laundering Conference. The focus of the regulator panels was keeping pace with global regulatory changes.

In 2015, the OCC also participated in a series of FATF working group and plenary meetings as well as the Basel Committee on Banking Supervision Anti-Money Laundering Expert Group. OCC participated in a significant number of international working groups/public-private dialogues in 2015 that included representatives from Central America, Mexico, China, the U.K., India and the Persian Gulf region. On an ad hoc basis, OCC meets with delegations from various countries to discuss the U.S. AML regime and its approach to conducting supervisory examinations.

## **Office of Technical Assistance**

OTA is comprised of five teams focused on particular areas of financial sector technical assistance to foreign governments. The mission of the OTA Economic Crimes Team (ECT), in particular, is to provide technical assistance to develop internationally compliant AML/CFT regimes. OTA supports self-reliance by providing countries with the knowledge and skills required to move towards self-sufficiency and to reduce dependence on international aid. OTA works side-by-side with counterparts by introducing sound practices in daily work routines through ongoing mentoring and on-the-job training, which is accomplished through co-location, whether in a financial intelligence unit, central bank, finance ministry, law enforcement authority, or other relevant government agency.

In the context of providing technical assistance to reform AML/CFT frameworks, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. To ensure successful outcomes, ECT engagements are predicated on express requests by foreign government counterparts. ECT management conducts an on-site assessment of the jurisdiction to consider, not only non-compliance with international standards and the corresponding need for technical assistance, but also willingness by the counterpart to engage in active partnership with the ECT to address those deficiencies.

An ECT engagement, tailored to the specific conditions of the jurisdiction, may involve placement of a resident advisor or utilization of intermittent advisors under the coordination of a team lead. The scope of ECT technical assistance is broad and can include awareness-raising aimed at the range of AML/CFT stakeholders; improvements to an AML/CFT legal framework to include legislation, regulations, and formal guidance; and improvement of the technical competence of stakeholders. The range of on-the-job and classroom training provided by the

ECT is equally broad and includes, among other topics, supervisory techniques for banking, money and value transfer systems, securities, insurance, gaming, and other regulatory areas; analytic and financial investigative techniques; cross-border currency movement; trade-based money laundering; asset seizure, forfeiture, and management; and the use of interagency financial crimes working groups.

In 2015, following these principles and methods, the ECT delivered technical assistance in Burma, Cambodia, Cabo Verde, Costa Rica, Dominica, El Salvador, Ghana, Guatemala, Honduras, Jamaica, Paraguay, Peru, and Saudi Arabia. Representative counterpart accomplishments from around the world that were supported by that technical assistance include the following activities. In Burma, the Central Bank, with ECT guidance, hosted a successful and well-attended compliance forum in September 2015 and by the end of the year assumed the full leadership role in planning a series of private sector compliance fora expected in 2016. In Cabo Verde, counterparts formed an interagency Financial Crimes Working Group that is addressing functional gaps in the AML/CFT framework to include a cross-border currency declaration regime. El Salvador approved a cash bulk smuggling law in August 2015 that provides for criminal sanctions for failure to declare currency and other monetary instruments equal to or exceeding \$10,000. Jamaica's Major Organized Crime and Anti-Corruption Agency implemented a new case management system that helped reduce its active investigations by 50% thus allowing investigators to focus on priority cases and gain greater depth in investigations. Lastly, the Peruvian asset management agency successfully disposed of specialized forfeited assets, netting over \$300,000 in a jewelry auction and over \$4 million in real estate auctions, providing much needed funding support for Peruvian law enforcement agencies.

## Treaties, Agreements, and Asset Sharing

### Treaties

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal matters and proceedings related to criminal matters. In money laundering cases, MLATs can be extremely useful to obtain banking and other financial records from treaty partners. The Department of State, in cooperation with the Department of Justice, negotiates MLATs. The United States has MLATs in force with the following countries: Antigua and Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Canada, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France (including St. Martin, French Guiana, French Polynesia, Guadeloupe, and Martinique), Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius, and Sint Maarten), Nigeria, Panama, the Philippines, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, Ukraine, United Kingdom (including Anguilla, British Virgin Islands, Cayman Islands, the Isle of Man, Montserrat, and Turks and Caicos), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplemented existing MLATs or created new mutual legal assistance relationships between the United States and every member of the EU. The U.S.-Bulgaria Extradition Treaty also includes an Agreement on Certain Aspects of Mutual Legal Assistance in Criminal Matters that institutes some key provisions of the U.S.-EU Agreement. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention Against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism, and the 1988 UN Drug Convention.

### Agreements

In addition to MLATs, the United States has a Mutual Legal Assistance Agreement (MLAA) with China and Taiwan and an Agreement on Drug Trafficking and Forfeiture with Singapore. The United States also has entered into bilateral executive agreements on forfeiture cooperation with 20 countries, including: Andorra, Anguilla, Austria, British Virgin Islands, Canada, the Cayman Islands, Colombia, Dominican Republic, Ecuador, Hong Kong, Jamaica, Mexico, Monaco, Montserrat, Netherlands, Singapore, Turks and Caicos Islands, the United Kingdom, and the Bailiwicks of Jersey and Guernsey (in drug cases only).

Treasury's FinCEN has a Memorandum of Understanding (MOU) or an exchange of letters in place with many other FIUs to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in

Afghanistan, Albania, Argentina, Aruba, Australia, Belgium, Bermuda, Brazil, Bulgaria, Canada, Cayman Islands, Chile, Croatia, Cyprus, Egypt, France, Fiji, Guatemala, the Holy See, Indonesia, Israel, Italy, Japan, Macedonia, Malawi, Malaysia, Mauritius, Mexico, Moldova, Montenegro, Netherlands, Nigeria, Panama, Paraguay, the Philippines, Poland, Romania, Russia, San Marino, Saudi Arabia, Senegal, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, the Money Laundering Prevention Commission of Taiwan, Turkey, and the United Kingdom. FinCEN also exchanges information with other members of the Egmont Group of FIUs pursuant to the Egmont Principles for Information Sharing Between FIUs for Money Laundering and Terrorism Financing Cases. During 2013, FinCEN established an MOU to facilitate the exchange of supervisory information with Mexico's National Banking and Securities Commission, in support of both agencies' AML/CFT missions. In 2015, FinCEN signed MOUs with the FIUs of Macau and China. FinCEN also established an MOU to facilitate the exchange of supervisory information with Canada's Financial Transactions and Reports Analysis Centre of Canada, in support of both agencies' AML/CFT missions.

## Asset Sharing

Pursuant to the provisions of U.S. law, including 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the Departments of Justice, State, and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of narcotics trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics-related law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures so they will be able to conduct investigations and prosecutions of narcotics trafficking and money laundering that include asset forfeiture.

From Fiscal Year (FY) 1989 through FY 2015, the international asset sharing program administered by the Department of Justice shared \$258,333,279 with 48 countries. In FY 2015, the Department of Justice shared a total of \$8,790,087 with five countries and shared with Curacao for the first time. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, Bahamas, Barbados, Belgium, Bermuda, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Isle of Man, Israel, Italy, Jersey, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the Turks and Caicos Islands, the United Kingdom, Uruguay, and Venezuela.

To date, Antigua and Barbuda, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Netherlands, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

The United States has permanent bilateral forfeited asset sharing agreements with 20 countries. During FY 2015, new sharing agreements entered into force with Guernsey and Jersey. Other such agreements are in force with Andorra, Anguilla, Austria, the British Virgin Islands, Canada, the Cayman Islands, Colombia, the Dominican Republic, Ecuador, Hong Kong,

Jamaica, Mexico, Monaco, Montserrat, Netherlands, Singapore, the Turks and Caicos Islands, and the United Kingdom.

From FY 1994 through FY 2015, the international asset-sharing program administered by the Department of Treasury shared \$40,343,787 with foreign governments that cooperated and assisted in successful forfeiture investigations. Recipients of shared assets include: Antigua & Barbuda, Aruba, Australia, the Bahamas, Brazil, Canada, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Luxembourg, Malta, Mexico, Netherlands, Nicaragua, Palau, Panama, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, the United Kingdom, and Vietnam.

## **Multilateral Organization and Programs**

### **The Financial Action Task Force and FATF-Style Regional Bodies**

#### **The Financial Action Task Force**

The Financial Action Task Force (FATF), created in 1989, is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF currently has 36 members, comprising 34 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, Luxembourg, Mexico, The Kingdom of the Netherlands (includes the Netherlands, Aruba, Curacao, and Sint Maarten), New Zealand, Norway, Portugal, South Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission, and the Gulf Cooperation Council.

There are also nine FATF-style regional bodies that, in conjunction with the FATF, constitute an affiliated global network to combat money laundering and the financing of terrorism.

#### **The Asia/Pacific Group on Money Laundering (APG)**

The Asia/Pacific Group on Money Laundering (APG) was established in 1997. The APG has 41 members: Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma, Cambodia, Canada, China, Cook Islands, Fiji, Hong Kong, India, Indonesia, Japan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Thailand, Timor Leste, Tonga, United States, Vanuatu, and Vietnam.

#### **The Caribbean Financial Action Task Force (CFATF)**

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 27 members: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Sint Maarten, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela.

#### **The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)**

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV.

MONEYVAL is comprised of 30 permanent members and two temporary, rotating FATF members. The permanent members are Albania, Andorra, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, the Holy See, Hungary, Israel, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, and Ukraine. The rotating FATF members are currently France and Italy. By virtue of Resolution CM/Res(2012)6, the UK Crown Dependencies of Guernsey, Jersey, and the Isle of Man formally participate in the mutual evaluation procedures of MONEYVAL, as does the British Overseas Territory of Gibraltar via Resolution CM/Res(2015)26.

### **The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)**

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was established in 1999. Eighteen countries comprise its membership: Angola, Botswana, Comoros, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe.

### **The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)**

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established in 2004. The EAG has nine members: Belarus, China, India, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan.

### **The Financial Action Task Force of Latin America (GAFILAT)**

The Financial Action Task Force of Latin America (GAFILAT), formerly the Financial Action Task Force on Money Laundering in South America (GAFISUD), was established in 2000. The 16 GAFILAT members are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay.

### **Inter Governmental Action Group against Money Laundering in West Africa (GIABA)**

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established in 1999. GIABA consists of 16 countries: Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sao Tome and Principe, Senegal, Sierra Leone, and Togo.

### **The Middle East and North Africa Financial Action Task Force (MENAFATF)**

The Middle East and North Africa Financial Action Task Force (MENAFATF) was established in 2004. MENAFATF has 18 members: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait,

Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Authority, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

## **The Task Force on Money Laundering in Central Africa (GABAC)**

The Task Force on Money Laundering in Central Africa (GABAC), established in 2000, is a body of the Economic and Monetary Community of Central Africa (CEMAC). GABAC became an observer organization of the FATF in February 2012, and since then worked with the FATF to meet the requirement of a FATF-Style Regional Body. In October 2015, the FATF recognized GABAC as an FSRB and admitted it as an associate member. GABAC's associate membership has extended the reach of the FATF global network into Central Africa. GABAC currently has 10 members, comprising six member countries and four regional representatives, as follows: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea, Gabon, the Governor of the Banks of the States of Central Africa, the president of the CEMAC Commission, the president of the Committee of Police Chiefs of Central Africa, and the Secretary General of the Banking Commission of Central Africa.

## **The Organization of American States Inter-American Drug Abuse Control Commission Group of Experts to Control Money Laundering**

In 2015, the Organization of American States (OAS), through the Inter-American Drug Abuse Control Commission (CICAD), held capacity-building programs and workshops with the objective of raising awareness of the AML/CFT problem in Central and South America and the Caribbean; improving compliance with AML/CFT standards within the region; and building AML/CFT systems and promoting best practices on inter-institutional integration, investigation methodologies, analysis techniques, IT tools, and asset investigation, recovery, and administration.

### **Seized and Forfeited Assets**

The Seized and Forfeited Asset Management Project in Latin America (BIDAL) developed a number of successful programs. The 2014 assessment of the Brazilian national asset forfeiture system was presented to the Brazilian authorities in 2015 during the "National Workshop on the Management of Seized and Forfeited Assets." Meetings of the new Brazilian Interagency Working Group (IWG) took place in Brazil with the participation of high-level representatives of the National Strategy for Combating Corruption and Money Laundering; and the "Regional Seminar on Asset Administration and Disposal" was held in Brasilia and included participants from Brazil, Paraguay, Peru, Ecuador, Costa Rica, and Mexico. In Paraguay, a BIDAL work plan was presented to Paraguayan authorities; technical assistance was provided to the senate to improve the *in rem* forfeiture bill as well as an assessment on the asset forfeiture system in Paraguay; and the "National Workshop on the Management of Seized and Forfeited Assets" was held in Asuncion, Paraguay. Additionally a new Paraguayan IWG was established and began meeting.

### **Technical Assistance**

In 2014 in Montevideo, Uruguay, the Executive Secretariat/CICAD (ES/CICAD) participated in and supported a technical assistance mission carried out by the International Monetary Fund to enhance the AML/CFT capacities of the FIU of Uruguay. In 2015, there was a follow-up technical assistance mission.

Within the implementation of the Technical Assistance Plan to Combat Money Laundering in Peru, developed with the support of the Committee for the Implementation and Monitoring of the National Strategy for Combating Money Laundering, workshops on developing cooperation and joint work between the Public Ministry and the police were completed in a number of Peruvian cities in 2015, with roughly 300 participants. The ES/CICAD developed a guide for the development of an investigation plan and 1,000 copies were printed and distributed to key-institutions within Peru. A “National Workshop on Money Laundering Investigations related to Drug Trafficking” was held in Lima for 43 prosecutors and FIU analysts.

### **Capacity Building**

In 2015, under the framework of the Capacity Building of Financial Intelligence Units Program, the “Regional Workshop on the Strategic Analysis of AML/CFT to FIUs” was held in coordination with the Egmont Group, FinCEN, and the Financial Action Task Force in Latin America (GAFILAT) with the participation of 32 officials from Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, and Uruguay. Technical assistance also was provided to El Salvador to strengthen the financial investigation unit in developing and designing a process for the certification of compliance officers.

Two regional workshops were carried out jointly with the Inter-American Committee against Terrorism (CICTE/OAS) on money laundering and terrorism financing issues. One was held in the United States on illicit flows, criminal networks and terrorism, with the participation of officers from Micronesia, Samoa, Tonga, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. Another workshop took place in Panama on risks associated with free trade zones, with 34 participants from Panama, Guatemala, Costa Rica, and Colombia.

### **International Cooperation**

Assistance was provided to the Intelligence Centre against Terrorism and Organized Crime of the Ministry of the Interior of Spain in organizing a conference on “Information Exchange to Combat Money Laundering: Equity Research and Asset Recovery Offices” in Cartagena, Colombia. Experts from Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Spain, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela attended the conference.

In Vienna, Austria, the ES/CICAD participated in three events carried out by UNODC: the Working Group for the Prevention of Corruption; the ninth meeting of the Working Group on

Asset Recovery; and the Expert Meeting on the Effective Administration and Disposal of Frozen, Seized, and Forfeited Assets.

The ES/CICAD was invited to deliver three presentations at a CFATF meeting on the progress made regarding the implementation of an asset recovery network for the Caribbean and circulated a concept note on the project. The ES/CICAD also participated in a meeting of the Asset Recovery Network of the GAFILAT (RRAG), plus working groups and a typologies exercise sponsored by GAFILAT.

In the context of the Coordination Committee addressing terrorism and terrorist financing (MECOOR), a regional workshop on terrorism and its financing was held in Asuncion, Paraguay for 39 prosecutors, investigators, and FIU analysts from Argentina, Brazil, Paraguay, and Uruguay. ES/CICAD developed the RRAG Strengthening Program and promoted the use of the network in various meetings held in Peru, Chile, and Bolivia.

Plenary meetings of the Group of Experts for the Control of Money Laundering were held in Washington D.C. and Lima, Peru. After the discussion of best practices and knowledge sharing, the following guides and documents were approved: “Analysis on the rights of victims and bona fide third parties regarding forfeiture processes for assets of illicit origin;” “Analysis of the applicability and effectiveness of modern judicial instruments for the disposal of seized and forfeited assets;” “Asset Investigation Guide;” “Recommendations and considerations for the Security and Integrity of officials responsible for combatting money laundering and its related crimes;” and a program proposal on “Open Sources of Information as a Tool in the Development of Asset Investigations.”

## **The Egmont Group of Financial Intelligence Units**

The goal of the Egmont Group of Financial Intelligence Units (Egmont Group) is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorism financing, and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorism financing and money laundering. Today the FIU concept is an important component of the international community’s approach to combating money laundering and terrorism financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 151 FIUs in 2015. The FIUs of Cambodia, Cuba, Nepal, and Niger were admitted to the Egmont Group in 2015. The FIU of Syria was reinstated.

As of 2015, the 151 members of the Egmont Group are the FIUs of Afghanistan, Albania, Algeria, Andorra, Angola, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium,

Belize, Bermuda, Bolivia, Bosnia and Herzegovina, Brazil, British Virgin Islands, Brunei Darussalam, Bulgaria, Burkina Faso, Cambodia, Cameroon, Canada, Cayman Islands, Chad, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Gibraltar, Greece, Grenada, Guatemala, Guernsey, the Holy See (Vatican City State), Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Namibia, Nepal, Netherlands, New Zealand, Niger, Nigeria, Niue, Norway, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Sint Maarten, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sweden, Switzerland, Syria, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, and Venezuela.

## **United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism**

The United Nations is one of the most experienced global providers of AML/CFT training and technical assistance. The United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML), part of the UNODC, was established in 1997 to assist member states to comply with the UN conventions and other instruments that deal with money laundering and terrorism financing. These now include the UN Convention against Traffic in Narcotic Drugs and Psychotropic Substances, the UN International Convention for the Suppression of the Financing of Terrorism, the UN Convention against Transnational Organized Crime, and the UN Convention against Corruption. In 2008, GPML's scope and objectives were widened to meet the growing needs and demands for tailor-made assistance in the effective implementation of these UN instruments and other international AML/CFT standards.

GPML is the focal point for AML policy and activities within the UN system and a key player in strengthening CFT. The GPML provides technical assistance and training in the development of related legislation, infrastructure, and skills, directly assisting member states in the detection, seizure, and confiscation of illicit proceeds. Over the years, it has elaborated an ambitious program to make international action against the proceeds of crime and illegal financial flows more effective.

In 2015, GPML provided long-term assistance in the development of AML/CFT programs to 66 jurisdictions. GPML has trained over 4,000 representatives of law enforcement agencies, FIUs, judicial authorities, and reporting entities; out of them, 900 received training from local experts who had participated in the GPML train-the-trainer program.

## The Mentoring Program

GPML's Mentor Program is one of the most successful and well-known activities of international AML/CFT technical assistance and training. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions. Mentors serve as residential advisors for as long as one to four years, and offer sustained skills and knowledge transfer. The mentor can pinpoint specific needs over a period of months, provide advice on real cases and problems as they arise, and adjust his/her work plan to target assistance that responds to the counterparts' needs. Furthermore, a mentor can facilitate access to foreign counterparts for international cooperation and mutual legal assistance at the operational level by using his/her contacts to act as a bridge to the international community.

During 2015, GPML employed five mentors. GPML mentors stationed in Senegal, South Africa, Gabon, Samoa, and Vietnam worked extensively on the development and implementation of a wide variety of AML/CFT programs and procedures in individual countries and surrounding regions.

The GPML Asset Forfeiture Mentor based in South Africa provides assistance with the development and strengthening of asset forfeiture mechanisms in Southern Africa. The mentor continued to monitor the ongoing Prosecutor Placement Program. In 2015, the mentor continued to support the Asset Recovery Network for Southern Africa (ARINSA), and provide mentoring to its members, namely Botswana, Lesotho, Malawi, Mauritius, Namibia, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe. Six visiting short-term mentors were deployed to the 10 ARINSA countries to provide trainings on money laundering investigations and asset recovery, assist in developing the legislation and policy, and provide assistance in particular asset recovery cases. In total, over 2,500 officers in ARINSA countries have received the GPML trainings. GPML efforts have a practical impact in ARINSA countries: ARINSA processed 41 cases in 2015, and has examples of successful asset recovery (e.g., Tanzania and Mozambique - \$363,000 frozen in 10 cases of illegal timber, and \$300,000 recovered in the case of a corrupt official in Zambia).

In West Africa, GPML's main achievements in 2015 include the successful delivery of train-the-trainers programs in Senegal, Cote d'Ivoire, Ghana, and Benin. As a result, 169 national officers have been trained to conduct financial investigations, and 42 new trainers have been identified. This training already has a multiplier effect: new trainers themselves have trained 70 professionals in Senegal and 868 in Cote d'Ivoire.

GPML continues to support a CARIN-style regional network for prosecutors and financial investigators in West Africa (ARINWA), comprised of all 15 Economic Community of West African States countries plus Sao Tome and Principe. In October 2015, ARINWA held a joint plenary with other regional programs on judicial cooperation. The mentor also contributed to the strengthening of the AML/CFT framework and operational capacities, particularly of FIUs, in Burkina Faso and Mali. Activities have been completed in coordination with the Inter Governmental Action Group against Money Laundering in West Africa (GIABA). Additionally, GPML deployed a visiting consultant to West Central Africa to deliver cash courier and money value transfer systems trainings.

The GPML mentor based in Hanoi continued to strengthen operational capacities in Burma, Cambodia, Laos, and Vietnam. The mentor assisted Vietnamese and Laotian authorities to revise money laundering offense definitions in the penal codes of these countries. The mentor assisted Cambodia in its strengthening of its AML/CFT regime, and in Vietnam, the mentor continued to deliver training workshops on bulk cash smuggling, AML/CFT investigations, and raising awareness, and has distributed 1,000 pocket guides on cash smuggling interdiction to the customs officers. The mentor also has conducted eight national AML workshops and two international workshops on financial flows from wildlife and timber crimes. The Mekong mentor continued to support the CARIN-style regional network for prosecutors and financial investigators in the Asia Pacific (ARIN-AP), which has grown to 18 countries in 2015, and ARIN-AP Secretariat handled 14 asset recovery investigations.

The GPML mentor in Central Africa focused on assisting GABAC to become a FATF associate member, which it did in 2015. The GPML mentor assisted GABAC to establish an action plan to comply with the FATF requirements, provided advice to the GABAC Secretariat, assisted GABAC to conduct an AML/CFT workshop in Central Africa and with the organization of a 2015 GABAC Technical Commission and Ministerial Meeting. The mentor also arranged a training for GABAC on AML/CFT and on the new FATF Recommendations. The Mentor also assisted GABAC to prepare the mutual evaluation of Equatorial Guinea.

The GPML mentor for the Pacific Islands started the program's activities in November 2015 by identifying the technical assistance needs of the islands.

A GPML consultant, jointly with UNDP, assisted Somalia's Parliament to prepare an AML/CFT Bill and conducted two workshops for the drafters of the bill and the Parliament Committee. The AML/CFT Bill was enacted in December 2015.

### **GPML Initiatives**

**Illicit Financial Flows:** GPML has taken the lead in combating financial flows to and from Afghanistan linked to illicit drug production and trafficking. In 2015, the UNODC conducted a research project on the economic impact of drug trafficking over the Balkan Route.

GPML conducted two events on the disruption of illicit financial flows in 2015: training on disruption of illicit financial flows from the drug trade (Belarus and Ukraine) and a workshop on disruption of illicit financial flows from human trafficking and migrant smuggling (Eastern Europe).

Throughout 2015, GPML continued to work with the UNODC Global Programme on Wildlife and Timber Crime on a joint initiative on the illicit financial flows and value transfer deriving from wildlife and timber trafficking. GPML held an inter-regional workshop on illicit financial flows from wildlife and timber crime, gathering practitioners from Southeast Africa and Southeast Asia in January 2015.

**Financial Investigation Course:** GPML's Financial Investigation Course aims to provide an opportunity for investigators to develop their knowledge and skills in financial investigation and to raise awareness of terrorism financing and money laundering methods. The course has a practical focus and is tailored to legal and procedural processes in the country receiving training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches, and undertake interviews. The new version of the training is delivered to three levels of participants: junior and senior investigators and senior managers. In 2015, the regional training was delivered in South Africa, with pilot trainings started in Kazakhstan and Ukraine.

**Development of AML/CFT Experts/Trainers:** GPML is continuing a train-the-trainers project on financial investigations for West Africa.

**Prosecutor Placement Program:** This is a sustainable, capacity-building program designed to give newly appointed confiscation prosecutors a practical understanding of asset seizure and forfeiture practices by placing them in the office of an experienced and capable confiscation legal team. The program operates in Southern Africa in conjunction with the South African National Prosecution Authority's Asset Forfeiture Unit.

**goAML and goTrace:** GPML cooperates with the UNODC IT Section to deploy the goAML software for Financial Intelligence and goTrace for secure exchange of information. goAML is currently running in 26 countries and 10 are in the process of deployment, goTrace has been requested by more than 40 government agencies.

**IMoLIN/AMLID:** GPML has developed and maintains the International Money Laundering Information Network (<http://www.imolin.org>) on behalf of a partnership of 11 international organizations. IMoLIN provides a wide range of tools and AML/CFT-related information for professionals, including the Anti-Money Laundering International Database (AMLID) - a compendium and analysis of AML/CFT legislation and regulations.

## Major Money Laundering Countries

Every year, U.S. officials from agencies with AML responsibilities assess the money laundering situations in approximately 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial sector involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2016 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

“Jurisdictions of Primary Concern” are those that are identified, pursuant to INCSR reporting requirements, as “major money laundering countries.” A major money laundering country is defined by statute as one “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking.” The complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category “Jurisdictions of Primary Concern” recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Additionally, money laundering activity has moved well beyond traditional banking. As examples, money is laundered through investment funds, insurance, real estate, and high-value goods; thus, looking only at banking transactions may well overlook large-scale money laundering in a jurisdiction. Therefore, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered in the entire financial sector, not only on banking transactions or on the AML measures taken. A government (e.g., the United States or the United Kingdom) can have comprehensive AML laws on its books and conduct aggressive AML enforcement efforts but still be classified a “Primary Concern” jurisdiction. In some cases, this classification may simply or largely be a function of the size and/or sophistication of the jurisdiction's economy. Economies that attract funds globally are vulnerable to money laundering activity because the volume and complexity of the available financial options may make criminals believe they may more easily hide their funds. This is a different approach than that of the Financial Action Task Force's International Cooperation Review Group exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, “Jurisdictions of Concern” and “Other Jurisdictions Monitored,” on the basis of several factors that may include: (1) whether transactions involving significant amounts of proceeds from serious crimes are conducted in the country's financial sector; (2) the extent to which the

jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) whether the U.S. government regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the United States. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." The actual money laundering problem in jurisdictions classified as "Jurisdictions of Concern" is not as acute as in those considered to be of "Primary Concern." Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

### **Vulnerability Factors**

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of factors that contribute to making a country or jurisdiction particularly vulnerable to money laundering or other illicit financial activity, however, provides a basic guide. The checklist includes, but is not limited to:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large-value and/or suspicious or unusual transaction reporting by both banks and non-bank financial institutions.
- Lack of or inadequate know-your-customer requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered, or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions, or a pattern of inconsistent reporting under a voluntary system, and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.

- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing, and disseminating to the competent authorities information on large-value, suspicious, or unusual financial transactions that might identify possible money laundering activity.
- Lack of or weak bank regulatory controls, or failure to adopt or adhere to the Basel Committee’s “Core Principles for Effective Banking Supervision,” especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled, or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or money or value transfer systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward the business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in, or export of, gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

### **Changes in INCSR Priorities for 2015**

There were no changes to the prioritization for 2015.

In the Country/Jurisdiction Table directly below, “major money laundering countries” that are in the “Jurisdictions of Primary Concern” category are identified for purposes of INCSR statutory reporting requirements. Identification as a “major money laundering country” is based on whether the country or jurisdiction’s financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the

country or jurisdiction's legal framework to combat money laundering; its role in the terrorist financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the "Jurisdictions of Concern" or "Other Jurisdictions Monitored" category.

***Note: Country reports are provided for only those countries and jurisdictions listed in the "Primary Jurisdictions of Concern" category.***

## Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Afghanistan	Kenya	Albania	Laos	Andorra	Mali
Antigua and Barbuda	Latvia	Algeria	Malaysia	Anguilla	Malta
Argentina	Lebanon	Angola	Marshall Islands	Armenia	Mauritania
Australia	Liechtenstein	Aruba	Moldova	Bermuda	Mauritius
Austria	Luxembourg	Azerbaijan	Monaco	Botswana	Micronesia FS
Bahamas	Macau	Bahrain	Mongolia	Brunei	Montserrat
Belize	Mexico	Bangladesh	Montenegro	Burkina Faso	Mozambique
Bolivia	Netherlands	Barbados	Morocco	Burundi	Namibia
Brazil	Nigeria	Belarus	Nicaragua	Cabo Verde	Nauru
British Virgin Islands	Pakistan	Belgium	Peru	Cameroon	Nepal
Burma	Panama	Benin	Poland	Central African Rep.	New Zealand
Cambodia	Paraguay	Bosnia and Herzegovina	Portugal	Chad	Niger
Canada	Philippines	Bulgaria	Qatar	Congo, Dem Rep of	Niue
Cayman Islands	Russia	Chile	Romania	Congo, Rep of	Norway
China, People Rep	Singapore	Comoros	Saudi Arabia	Croatia	Oman
Colombia	Sint Maarten	Cook Islands	Senegal	Cuba	Palau
Costa Rica	Somalia	Cote d'Ivoire	Serbia	Denmark	Papua New Guinea
Curacao	Spain	Czech Republic	Seychelles	Dominica	Rwanda
Cyprus	Switzerland	Djibouti	Sierra Leone	Equatorial Guinea	Samoa
Dominican Republic	Taiwan	Ecuador	Slovakia	Eritrea	San Marino
France	Thailand	Egypt	South Africa	Estonia	Sao Tome & Principe
Germany	Turkey	El Salvador	St. Kitts and Nevis	Ethiopia	Slovenia
Greece	Ukraine	Ghana	St. Lucia	Fiji	Solomon Islands
Guatemala	United Arab Emirates	Gibraltar	St. Vincent	Finland	South Sudan
Guernsey	United Kingdom	Grenada	Suriname	Gabon	Sri Lanka
Guinea Bissau	United States	Guyana	Syria	Gambia	Sudan
Haiti	Uruguay	Holy See	Tanzania	Georgia	Swaziland
Hong Kong	Venezuela	Honduras	Trinidad and Tobago	Guinea	Sweden
India	West Bank and Gaza	Hungary	Turks and Caicos	Iceland	Tajikistan
Indonesia	Zimbabwe	Ireland	Vanuatu	Kyrgyz Republic	Timor-Leste
Iran		Jamaica	Vietnam	Lesotho	Togo
Iraq		Jordan	Yemen	Liberia	Tonga
Isle of Man		Kazakhstan		Libya	Tunisia
Israel		Korea, North		Lithuania	Turkmenistan
Italy		Korea, South		Macedonia	Uganda
Japan		Kosovo		Madagascar	Uzbekistan
Jersey		Kuwait		Malawi	Zambia
				Maldives	

## Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2015, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of number 5, all items should be answered "Y" (yes) or "N" (no). **"Y" is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards.** All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in the "Enforcement and implementation issues and comments" section of the template, as should any responses that differ from last year's answers.

### Glossary of Terms

- 1. "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- 2. "Criminalized Beyond Drugs": The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than those related to the drug trade.
- 3. "Know-Your-Customer Provisions": By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know-Your-Customer/Customer Due Diligence programs for their customers or clientele.
- 4. "Report Large Transactions": By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities. (CTRs)
- 5. "Report Suspicious Transactions": By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "Y" signifies mandatory reporting; "P" signifies reporting is not required but rather is permissible or optional; "N" signifies no reporting regime. (STRs)
- 6. "Maintain Records over Time": By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- 7. "Disclosure Protection - 'Safe Harbor'": By law, the jurisdiction provides a "safe harbor" defense against civil and criminal liability to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- 8. "Criminalize 'Tipping Off'": By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.
- 9. "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and

disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (\*) reflects those jurisdictions whose FIUs are not members of the Egmont Group of FIUs.

- 10. “Cross-Border Transportation of Currency”: By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction’s borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.
- 11. “International Law Enforcement Cooperation”: No known legal impediments to international cooperation exist in current law. Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request.
- 12. “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- 13. “Arrangements for Asset Sharing”: By law, regulation, or bilateral agreement, the jurisdiction permits sharing of seized assets with foreign jurisdictions that assisted in the conduct of the underlying investigation. No known legal impediments to sharing assets with other jurisdictions exist in current law.
- 14. “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations.
- 15. “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report to designated authorities transactions suspected to relate to the financing of terrorists, terrorist groups, or terrorist activities.
- 16. “Ability to Freeze Terrorist Assets w/o Delay”: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- 17. “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 18. “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 19. “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

- 20. “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- 21. “U.S. or International Sanctions/Penalties”: The United States, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended countermeasures against the country/jurisdiction.

## Comparative Table

“Y” is meant to indicate that legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties	
<b>Govt/Jurisdiction</b>																						
<b>Afghanistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N	
<b>Albania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
<b>Algeria</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
<b>Andorra</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
<b>Angola</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	Y	N	
<b>Anguilla<sup>2</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	
<b>Antigua and Barbuda</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Argentina</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Armenia</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	

The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention for the Suppression of Terrorism Financing has been extended to Bermuda, the British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle of Man, and Jersey. The UNTOC has been extended to Anguilla, Bermuda, the British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, the Isle of Man, Jersey, and the Turks and Caicos Islands.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
	Govt/Jurisdiction																				
Aruba <sup>2</sup>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahrain	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bermuda <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
British Virgin Islands <sup>1</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

<sup>2</sup> The Netherlands extended its application of the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, and the UN Convention against Transnational Organized Crime to Aruba, Curacao, and St. Maarten.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Bulgaria</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Burkina Faso</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Burma</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Burundi</b>	Y	Y	Y	Y	Y	Y	N	N	N	N	Y	Y	N	Y	Y	N	Y	N	Y	Y	N
<b>Cabo Verde</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Cambodia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Cameroon</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Canada</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Cayman Islands<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
<b>Central African Rep.</b>	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Chad</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Chile</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>China</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Colombia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Comoros</b>	Y	Y	N	N	Y	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Congo, Dem Rep. of</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y
<b>Congo, Rep. of</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	N	Y	N
<b>Cook Islands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Costa Rica</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Cote d'Ivoire</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Croatia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Cuba</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties	
<b>Govt/Jurisdiction</b>																						
<b>Curacao<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	
<b>Cyprus<sup>3</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Czech Republic</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Denmark</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Djibouti</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
<b>Dominica</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	
<b>Dominican Republic</b>	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Ecuador</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Egypt</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
<b>El Salvador</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Equatorial Guinea</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	N	Y	N	N	N	N	N	Y	Y	N	N	
<b>Eritrea</b>	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	Y	N	Y	
<b>Estonia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Ethiopia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Fiji</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	
<b>Finland</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>France</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	
<b>Gabon</b>	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N	

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Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Gambia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
<b>Georgia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Germany</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Ghana</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Gibraltar<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
<b>Greece</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Grenada</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
<b>Guatemala</b>	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Guernsey<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Guinea</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N	N	Y	N	N	Y	Y	Y	Y	N
<b>Guinea-Bissau</b>	Y	Y	Y	N	Y	Y	Y	N	N	Y*	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y
<b>Guyana</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Haiti</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Holy See</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Honduras</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hong Kong<sup>4</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Hungary</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Iceland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>India</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Indonesia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Iran</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y

<sup>4</sup> The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the special administrative regions of Hong Kong and Macau.

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Criminalized ML Beyond Drugs</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Large Transactions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Disclosure Protection - "Safe Harbor"</b>	<b>Criminalize "Tipping Off"</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Criminalized Financing of Terrorism</b>	<b>Report Suspected Terrorist Financing</b>	<b>Ability to Freeze Terrorist Assets w/o Delay</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to Intl. Terror Finance Conv.</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>US or Intl Org Sanctions/Penalties</b>
<b>Govt/Jurisdiction</b>																					
<b>Iraq</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Ireland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Isle of Man<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Israel</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Italy</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Jamaica</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Japan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
<b>Jersey<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Jordan</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Kazakhstan</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Kenya</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Korea, North</b>	Y	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N	N/A	N/A	N/A	N/A	N/A	Y	Y	N	N	Y
<b>Korea, South</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
<b>Kosovo</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	N	N	N
<b>Kuwait</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Kyrgyz Republic</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Laos</b>	Y	Y	N	N	Y	N	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
<b>Latvia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Lebanon</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Lesotho</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Liberia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Libya</b>	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
<b>Liechtenstein</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Lithuania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Luxembourg</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macau<sup>4</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Macedonia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Madagascar</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Malawi</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Malaysia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Maldives</b>	Y	N	Y	Y	Y	N	Y	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Mali</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
<b>Malta</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Marshall Islands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mauritius</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mexico</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Micronesia, FS</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
<b>Moldova</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Monaco</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Mongolia</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Montenegro</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Criminalized ML Beyond Drugs</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Large Transactions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Disclosure Protection - "Safe Harbor"</b>	<b>Criminalize "Tipping Off"</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Criminalized Financing of Terrorism</b>	<b>Report Suspected Terrorist Financing</b>	<b>Ability to Freeze Terrorist Assets w/o Delay</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to Intl. Terror Finance Conv.</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>US or Intl Org Sanctions/Penalties</b>
<b>Govt/Jurisdiction</b>																					
<b>Montserrat<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
<b>Morocco</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Mozambique</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Namibia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Nauru</b>	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Nepal</b>	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Netherlands</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>New Zealand</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Nicaragua</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Niger</b>	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Nigeria</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Niue</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	N	N
<b>Norway</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Oman</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Pakistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Palau</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	Y	N
<b>Panama</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Papua New Guinea</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	Y	N	Y	N
<b>Paraguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Peru</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Philippines</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Poland</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Portugal</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Qatar</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Romania</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Russia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>Rwanda</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>St. Kitts and Nevis</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>St. Lucia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
<b>St. Maarten<sup>2</sup></b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>St. Vincent and the Grenadines</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Samoa</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
<b>San Marino</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
<b>Sao Tome and Principe</b>	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Saudi Arabia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Senegal</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Serbia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
<b>Seychelles</b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Sierra Leone</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Singapore</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Slovak Republic</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Slovenia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Solomon Islands</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	N	Y	N
<b>Somalia</b>	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
<b>South Africa</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

<b>Actions by Governments</b>	<b>Criminalized Drug Money Laundering</b>	<b>Criminalized ML Beyond Drugs</b>	<b>Know-Your-Customer Provisions</b>	<b>Report Large Transactions</b>	<b>Report Suspicious Transactions (YPN)</b>	<b>Maintain Records Over Time</b>	<b>Disclosure Protection - "Safe Harbor"</b>	<b>Criminalize "Tipping Off"</b>	<b>Cross-Border Transportation of Currency</b>	<b>Financial Intelligence Unit (*)</b>	<b>Intl Law Enforcement Cooperation</b>	<b>System for Identifying/Forfeiting Assets</b>	<b>Arrangements for Asset Sharing</b>	<b>Criminalized Financing of Terrorism</b>	<b>Report Suspected Terrorist Financing</b>	<b>Ability to Freeze Terrorist Assets w/o Delay</b>	<b>States Party to 1988 UN Drug Convention</b>	<b>States Party to Intl. Terror Finance Conv.</b>	<b>States Party to UNTOC</b>	<b>States Party to UNCAC</b>	<b>US or Intl Org Sanctions/Penalties</b>
<b>Govt/Jurisdiction</b>																					
<b>South Sudan</b>	Y	Y	N	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	Y	N
<b>Spain</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Sri Lanka</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Sudan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
<b>Suriname</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Swaziland</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Sweden</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Switzerland</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Syria</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	N	Y
<b>Taiwan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
<b>Tajikistan</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Tanzania</b>	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Thailand</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Timor-Leste</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	N	N	Y	Y	N
<b>Togo</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Tonga</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
<b>Trinidad and Tobago</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Tunisia</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkey</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Turkmenistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Turks and Caicos<sup>1</sup></b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
<b>Uganda</b>	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
<b>Govt/Jurisdiction</b>																					
<b>Ukraine</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>UAE</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>United Kingdom</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uruguay</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Uzbekistan</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
<b>Vanuatu</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Venezuela</b>	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
<b>Vietnam</b>	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>West Bank and Gaza</b>	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	N	N	N	N	N	N	Y	N
<b>Yemen</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
<b>Zambia</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
<b>Zimbabwe</b>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y

## INCSR Volume II Template Key

### INTRODUCTORY PARAGRAPH

This section provides a historical and economic picture of the country or jurisdiction, particularly relating to the country's vulnerabilities to money laundering/terrorist financing (ML/TF). Information on the extent of organized criminal activity, corruption, drug-related money laundering, financial crimes, smuggling, black market activity, and terrorist financing should be included.

This section also should include a brief summary of the scope of any offshore sector, free trade zones, the informal financial sector, alternative remittance systems, or other prevalent area of concern or vulnerability. Deficiencies in any of these areas will be further discussed in the "Enforcement and Implementation Issues and Comments" section, below.

The below referral statement and link to the Department of State's Country Reports on Terrorism follows the introductory paragraph.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:***

This question addresses whether the jurisdiction's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** (specify)

***Are legal persons covered:***                      ***criminally:*** (Y/N)                      ***civilly:*** (Y/N)

In general, two methods of designating money laundering predicate crimes are in use. The response to this question indicates which method of designation the country uses - does the country list specific crimes as predicate crimes for money laundering in its penal code? Conversely, does it use an "all serious crimes" approach, stating that all crimes with penalties over a specified amount or that carry a threshold minimum sentence are money laundering predicate crimes?

The second question addresses whether legal persons, that is, corporations, partnerships, organizations, or any legal entity or arrangement, are liable for money laundering/terrorist financing activity and whether they are subject to criminal penalties, such as fines. Additionally,

are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs: Foreign: (Y/N) Domestic: (Y/N)***

***KYC covered entities:*** A list of the types of financial institutions and designated non-financial businesses and professions (DNFBPs) covered by KYC rules

Countries should be using a risk-based approach to customer due diligence (CDD) or know-your-customer (KYC) programs. Using that approach, types of accounts or customers may be considered either less or more risky and be subject to varying degrees of due diligence. Politically exposed persons (PEPs) should be considered high risk and should be subject to enhanced due diligence and monitoring. PEPs are those individuals who are entrusted with prominent public functions in a country, for example, heads of state; senior politicians; senior government, judicial, or military officials; senior executives of state-owned corporations; and important political party officials. This response should indicate whether the jurisdiction applies enhanced due diligence procedures to foreign PEPs and/or domestic PEPs.

CDD or KYC programs should apply not only to banks or financial institutions but also to DNFBPs. Covered institutions should be required to know, record, and report the identity of customers engaging in significant transactions. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

This response should list the specific types of financial institutions and DNFBPs covered by KYC laws and rules, whether or not they actually have programs in place in practice.

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:***

***Number of CTRs received and time frame:***

***STR covered entities:*** A list of the types of financial institutions and DNFBPs covered by reporting rules

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2015, will be included.

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers, and accountants, among others, should all be covered by such programs.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the

report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information, preferably the activity in 2015, will be included. The report will not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

This response should list the specific types of financial institutions and DNFBPs covered by reporting laws and rules, whether or not they are reporting in practice.

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** (Number and time frame)

***Convictions:*** (Number and time frame)

If available, the report will include the numbers of money laundering prosecutions and convictions and the relevant time frames. The most recent information, preferably the activity in 2015, will be included.

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** (Y/N) ***Other mechanism:*** (Y/N)

***With other governments/jurisdictions:*** (Y/N)

***(Country/jurisdiction) is a member of the Financial Action Task Force OR \_\_\_\_\_, a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: (relevant FATF or FSRB website)***

This response will indicate if the country/jurisdiction has in place a mutual legal assistance treaty with the United States and/or other mechanisms, such as memoranda of understanding or other agreements, to facilitate the sharing with the United States of records and information related to financial crimes, money laundering, and terrorist financing.

Similarly, it will indicate if the country/jurisdiction has in place treaties, memoranda of understanding, or other agreements with other governments to share information related to financial crimes, money laundering, and terrorist financing.

The report will indicate if the country/jurisdiction is a member of the Financial Action Task Force (FATF) and/or one or more FATF-Style Regional Bodies (FSRB). A link to the website with its most recent mutual evaluation will be shown.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Information in this section should include changes in policy, law, and implementation of regulations occurring since January 1, 2015, and any issues or deficiencies noted in the country's/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with U.S. government agencies, or has refused to cooperate with the United States or foreign

governments, as well as any actions taken by the United States or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.

Any changes to the Comparative Table responses for the relevant jurisdiction also should be discussed in this section.

## **Countries/Jurisdictions of Primary Concern**

## Afghanistan

The Islamic Republic of Afghanistan is not a regional or offshore financial center. Terrorist and insurgent financing, money laundering, bulk cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major narcotics trafficking and producing country, and is the world's largest opium producer and exporter. The narcotics trade, corruption, and contract fraud are major sources of illicit revenue and laundered funds. Corruption permeates all levels of Afghan government and society.

Afghanistan has a small banking sector, and the government has implemented management reforms over the past year. Traditional payment systems, particularly hawala networks, remain significant in their reach and scale. Less than 10 percent of the Afghan population uses banks, depending instead on the traditional hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90 percent of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, trade and microfinance, as well as some deposit-taking activities. Corruption and weaknesses in the banking sector incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The unlicensed and unregulated hawaladars in major drug areas, such as Helmand, likely account for a substantial portion of the illicit proceeds being moved in the financial system. Afghan business consortiums that control both hawaladars and banks allow criminal elements within these consortiums to manipulate domestic and international financial networks to send, receive, and launder illicitly-derived monies or funds intended for criminal, insurgent, or terrorism activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks (public and private), money service businesses (MSBs), hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 342 in 2014

**Number of CTR received and time frame:** 1,908,610 in 2014

**STR covered entities:** Banks (public and private), MSBs, hawaladars, lawyers, real estate agents, trust companies, securities dealers, independent legal professionals, insurance companies, and dealers of bullion, precious metals, and stones

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 4 in 2014

**Convictions:** 4 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** NO **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=69810087-f8c2-47b2-b027-63ad5f6470c1>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Afghanistan's ability to enforce relevant laws and regulate institutions is hampered by corruption. Limited resources and lack of technical expertise and infrastructure also hamper effective regulatory oversight. Afghanistan has made progress with the enactment of its July 2014 AML and CFT laws. Significant provisions include the creation of an adequate legal basis to criminalize money laundering; and the authority to confiscate funds or real property derived from criminal activity, sell property, and hold the proceeds in an asset recovery/sharing fund. In addition, in mid-2015, Afghanistan enacted a comprehensive banking law to enhance reporting and the governance of private and state-owned banks. The law, which also includes criteria for fit and proper determinations and a regime for declaring cross-border transportation of cash and bearer negotiable instruments, will go into effect in early 2016.

Despite making some regulatory progress on banking, no clear division exists between the hawala system and the small formal financial sector. Hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. Afghanistan's financial intelligence unit, FinTRACA, reports that no MSBs or hawaladars have ever submitted suspicious transaction reports (STRs), as compared to the 10 to 15 STRs FinTRACA receives daily from traditional financial institutions. Insurance companies and securities dealers are also technically under the regulatory regime and are required to file STRs, but the government does not enforce this requirement. Precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised in Afghanistan.

Border security continues to be a major challenge throughout Afghanistan, with the country's 14 official border crossings under central government control. Afghanistan's cross-border reporting requirement applies to those entering or exiting the country with an amount of more than

\$10,000 but less than \$20,000; however, the system is not enforced across Afghanistan's borders due to lack of resources. If Afghanistan implements its cross border regulation on cash movements to prohibit travelers from carrying more than \$20,000 across borders or through airports, bulk cash smuggling could become increasingly difficult. However, implementing the law requires harmonization with existing customs regulations and other administrative changes. Customs regulations, issued in September 2015, lack clarity on what should be done by authorities when there is suspicion of ML/TF. Cargo is often exempted from any screening or inspection due to corruption at the border crossings and customs depots. Outside of official border crossings, most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent currency inspection controls for all passengers and includes a VIP lane that does not require subjects to undergo any inspections or controls. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, presenting an additional challenge for the government to control and enforce illicit cash and trade movements.

In 2011, the Afghanistan/Pakistan Transit Trade Agreement (APTTA) expanded trade cooperation between the two countries and attempted to minimize smuggling by maximizing oversight and technical monitoring. Yet the designated trade routes pass through key locations where insurgent and terrorist groups operate. It appears insurgents are finding creative ways to utilize APTTA's new rule of being able to maintain control of a cargo truck from country of origin to cross-border destinations without having to risk unloading trucks at border crossings. In addition, since the initiation of the new APTTA agreement, it appears organized smuggling groups have increased their use of Iranian ports of entry. With the phasing-out of Iranian sanctions, this trend will continue to grow. The Afghan transit trade is used in trade-based money laundering, value transfer, and in counter-valuation or the process of settling accounts between hawaladars.

Although Afghanistan enacted the Law on Extradition of the Accused, Convicted Individuals and Legal Cooperation, which would seemingly allow for extradition based solely upon multilateral arrangements, such as the 1988 UN Drug Convention, this interpretation conflicts with Article 28 of the Afghan Constitution, which more clearly requires reciprocal agreements between Afghanistan and the requesting country. Thus, Afghanistan's law on extradition is unclear. The U.S. does not have an extradition treaty with Afghanistan.

Afghanistan's laws related to terrorism financing are largely in line with international standards. The CFT law provides the basic framework needed to authorize Afghanistan's ability to freeze and seize terrorist assets; however, the corresponding implementing regulations lack clarity and effectiveness. FinTRACA's limited capacity to identify bad actors and build cases against them often meets administrative hurdles at the Attorney General's Office (AGO), which is considered ineffective in other criminal or anticorruption contexts, as well. The AGO is authorized to prosecute a case and freeze or seize illicit assets, but its senior leaders have expressed reluctance and skepticism regarding money laundering prosecutions in general and seizing assets in particular.

While the authority to seize assets exists, the Afghan government has yet to establish an asset recovery mechanism to recover the value of any assets seized, and as a result, no entity, including the police or the courts, has responsibility for post-conviction asset recovery. A small number of criminal investigations with asset forfeiture issues have been reported by Afghan authorities, but they have not led to seizures of real property or prosecutions or convictions for money laundering. However, for the first time, prosecutors are going after the real property of a high profile drug trafficker. Drug kingpin Haji Lal Jan Ishaqzai was convicted in 2013 and given a 15-year sentence for opium trafficking under Afghan's Counternarcotics (CN) law. Despite his questionable release from prison in June 2014, prosecutors are using the AML law to attempt to seize a shopping center owned by Lal Jan as proceeds of criminal activity. The case is pending before Afghanistan's CN Supreme Court.

Although Afghanistan has taken steps toward improving its AML/CFT regime, certain deficiencies remain. Afghanistan should pass and enforce legislation to regulate financial institutions and designated non-financial businesses and professions and ensure their compliance with AML/CFT regulations. Afghanistan also should issue the necessary regulatory instruments to increase the number of MSB/hawala inspections and enact a comprehensive registration regime, and expand implementation of the MSB/hawala licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about the licensing, large transaction reporting requirement, and STR filing processes. Afghanistan should continue to implement an adequate framework for identifying, tracing, and freezing terrorist assets; work with the international community to train enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets; provide regulators and enforcement officers with the resources to carry out their oversight and investigative duties; implement adequate procedures for the confiscation of assets related to money laundering; and enhance the effectiveness of FinTRACA. Afghanistan also should strengthen inspection controls for airport passengers.

## **Antigua and Barbuda**

Antigua and Barbuda is an offshore center which continues to be vulnerable to money laundering and other financial crimes. Its relatively large financial sector and internet gaming industry add to its susceptibility. According to the Antiguan Office of National Drug Control and Money Laundering Policy (AONDCP), the collaborative efforts between Antigua and Barbuda and United States law enforcement agencies have brought about a decrease in drug trafficking activity.

Although the number of internet gaming companies is in decline, according to AONDCP statistics, casinos and internet gaming maintain a strong presence in Antigua and Barbuda. Internet gaming companies are regulated by the Financial Services Regulatory Commission, and supervised for AML/CFT by the AONDCP. Regulation requires them to incorporate as international business corporations (IBCs) and maintain a physical presence on the island. Domestic casinos must incorporate as domestic corporations. The Government of Antigua and Barbuda receives millions of dollars per year from license fees and other charges related to the internet gaming industry.

Shell companies are not permitted in Antigua and Barbuda. All certified institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. International companies are authorized to possess bearer shares; however, the license application requires disclosure of the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders, and number of shares they will hold. Registered agents or service providers are compelled by law to know the names of beneficial owners. Failure to provide information or giving false information is punishable by a fine of \$50,000. Offshore financial institutions are exempt from corporate income tax.

The Eastern Caribbean Central Bank (ECCB) supervises Antigua and Barbuda's domestic banking sector, along with the domestic sectors of seven other Caribbean jurisdictions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 272: January 1 – November 1, 2015

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks, international offshore banking businesses, venture risk capital, and money transmission services; entities issuing and administering means of payment (e.g., credit cards, traveler's checks, and banker's drafts); those offering guarantees and commitments, or trading for customers involved in money market instruments, foreign

exchange, financial and commodities-based derivative instruments, or transferable or negotiable instruments; money brokers and exchanges, money lenders, and pawn shops; real property businesses; credit unions, building societies, and trust businesses; dealers in precious metals, art, jewelry, and high-value goods; casinos and providers of Internet gaming and sports betting; car dealerships; travel agents; company service providers, attorneys, notaries, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 3 in 2015

*Convictions:* 1 in 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* MLAT: YES      *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Antigua and Barbuda is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<https://www.cfatf-gafic.org/index.php/documents/mutual-evaluation-reports/antigua-and-barbuda-1/34-antigua-and-barbuda-3rd-round-mer>

***ENFORCEMENT AND IMPEMENTATION ISSUES AND COMMENTS:***

Antigua and Barbuda continues to work to improve its AML/CFT regime. The AONDCP's 2014 analysis shows that financial institutions in Antigua and Barbuda have improved their AML/CFT policies and customer due diligence procedures. In 2014, AONDCP's Financial Investigations Department was involved in 14 new cases, both criminal and civil. In 2015, with the assistance of an international donor, AONDCP spearheaded a national risk assessment of the country's vulnerabilities to money laundering and terrorist financing.

In October, 2015, Antigua and Barbuda recorded its first successful confiscation case under the Proceeds of Crime Act. As part of a joint operation with the ABDF Coast Guard, the AONDCP first arrested two persons aboard a sailing vessel from Tortola in 2011 with over 160 kilograms of cocaine. The court ordered the defendant to pay \$30,000 to the State. From the evidence provided, the court determined the defendant possessed assets which could be used to settle the confiscation order.

In 2015, the AONDCP successfully defended a constitutional motion before the Eastern Caribbean High Court by securing a ruling determining the provisions for civil forfeiture under the Money Laundering (Prevention) Act do not contravene the Constitution. Ahmed Williams was convicted of possession with intent to supply and possession with intent to sell after he was arrested while conducting a drug transaction. AONDCP and Police officers found him in possession of 3.3 kilograms of cocaine, US\$16,446 and EC\$41,965. Following the criminal case, two parcels of land owned by Williams were frozen by the Supervisory Authority and ultimately forfeited to the government. This case has created a legal precedent for civil forfeiture proceedings in the region, and the court's decision reinforces the principle that the provisions for civil forfeiture do not contravene the Antigua and Barbuda Constitution.

The Government of Antigua and Barbuda should continue to work to implement its AML/CFT action plan, and devote resources to money laundering investigations and enforcement.

## Argentina

Institutionalized corruption, drug trafficking, high levels of informal and contraband trade, and an active informal exchange market present significant challenges for Argentina's AML/CFT regime. Contraband is smuggled into Argentina through the tri-border area (Argentina, Paraguay, and Brazil), and a very porous northern border shared with Bolivia and Paraguay, and through changes to shipping manifests designed to disguise the importer and the type of merchandise. The previous administration's use of currency controls to avoid balance of payments issues fostered a thriving black market for U.S. currency. During the first ten months of 2015, the unofficial exchange rate valued the dollar about 60 percent higher than the official government rate. Argentina controlled access to foreign currency to try to maintain its falling central bank reserves. President Macri, inaugurated December 20, 2015, quickly adopted economic policies to address a host of economic problems, including high inflation and disputes with foreign creditors.

Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against high inflation and potential peso devaluation. Even during periods of more liberal currency exchange, Argentina has a long history of capital flight and tax evasion. The latter is the predicate crime in the majority of money laundering cases. Argentines hold billions of U.S. dollars outside the formal financial system, both domestically and offshore, much of it legitimately earned, but not taxed.

The general vulnerabilities in the financial system also expose Argentina to a risk of terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance

companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 25,589 in 2014

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Argentina is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Argentina\\_3ra\\_Ronda\\_2010.pdf](http://www.gafilat.org/UserFiles//Biblioteca/Evaluaciones/Argentina_3ra_Ronda_2010.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

While the Government of Argentina has established the legal authorities and structures necessary for an AML regime, implementation of that regime remains a challenge. Ongoing receipt of suspicious transaction reporting, including through online submission, demonstrates that the function has become institutionalized. The total number of suspicious transaction reports (STRs) dropped 29 percent in 2015, in part because the Financial Information Unit (UIF), the Argentine financial intelligence unit (FIU), raised the reporting threshold for savings and loan organizations. The thresholds had been low and had not been adjusted previously to account for inflation. The changes resulted in a 94 percent drop in reporting by the savings and loan sector. The UIF continues to face challenges in analyzing suspicious reporting information and converting analysis into actionable intelligence. To address these gaps, the UIF has developed a risk matrix and modernized reporting systems, including incorporating an online reporting capability. In addition, the Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UIF in June 2015. This is the second suspension of information sharing between FinCEN and the UIF due to Argentina's unauthorized disclosure of intelligence that FinCEN had shared with the UIF. The first suspension took place in July 2009, and lasted three and a half years. This is a serious offense and FinCEN is evaluating next steps.

Program effectiveness, as measured by convictions and asset forfeiture, has been negligible. Since 1999, Argentina has successfully prosecuted only seven cases of money laundering. In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Systematic deficiencies in Argentina's criminal justice system persist, including widespread delays in the judicial process and a lack of judicial independence.

In an effort to support judicial action, the UIF and the Economic and Money Laundering Prosecutor's Office (PROCELAC) have enhanced cooperation with judges and prosecutors throughout the country. In 2015, PROCELAC reported opening 101 preliminary investigations and responding to 140 requests for case collaboration. However, reporting suggests the majority of these actions have focused on investigating foreign currency outflows and tax evasion.

In 2014, the UIF responded to 213 requests for information or testimony from judges and prosecutors and issued eight administrative orders to freeze the assets of 18 entities believed to be involved in terrorist financing. As a result of this intervention, 11 state terrorists were captured, bringing the total to 21 terrorists captured since 2013 using CFT instruments. To date, the offenders have largely been former members of the military junta, and the majority has been charged with domestic terrorism related to crimes committed during military rule in Argentina (1976-1983). Argentina has not used its CFT regime to pursue international terrorism cases.

With its AML/CFT regime established through legal and regulatory structures, suspicious transaction reporting institutionalized, and information flowing more freely between branches of government, Argentina's challenge now is enforcement. Critical components of this effort will be demonstrating the country's commitment to the principles of transparency and good governance; fostering a universal culture of AML/CFT compliance; improving the ability to coordinate, investigate, and prosecute complex financial crimes efficiently; and increasing convictions.

## **Australia**

Australia's well-functioning financial markets include major products, such as money, debt, equities, foreign exchange, and derivatives. While not large compared to equivalent markets in economies such as the United States or Japan, trading activity in many Australian financial market sectors is higher than the size of the economy might indicate. For example, Australia's largest market sector is the foreign exchange market and the Australian dollar is the seventh most actively traded currency worldwide. Australia is also recognized internationally in areas such as infrastructure financing and structured products. As an emerging financial services center within the Asia-Pacific region, the country's financial sector is supported by a number of government initiatives, such as the implementation of an investment manager regime and measures to provide tax exemption or tax relief for foreign managers. Finance and insurance, significant sectors in the Australian economy, are estimated to annually contribute some A\$130 billion (approximately \$92 billion) to the Gross Domestic Product, accounting for 9.3 percent of total value added. Australia has one of the largest pools of consolidated assets under management globally, valued at A\$2.6 trillion (approximately \$1.85 trillion). It is also a major destination for foreign direct investment.

According to the Australian Crime Commission (ACC), financial crimes continue to increase in diversity, scale, and the level of overall harm they cause Australia. The ACC conservatively estimates that serious and organized crime costs Australia approximately A\$15 billion each year (\$10.67 billion). Money laundering remains a key enabler of serious and organized crime.

The Australian Transaction and Reports Analysis Center (AUSTRAC) – the country’s financial intelligence unit (FIU) and the national anti-money laundering/countering the financing of terrorism (AML/CFT) regulator – identifies key features of money laundering in Australia in its Annual Report: intermingling legitimate and illicit financial activity through cash intensive businesses or front companies; engaging professional expertise, such as lawyers and accountants; the use of money laundering syndicates to provide specific money laundering services to terrorists and domestic and international crime groups; and the “internationalization” of the Australian crime environment, a reflection of the pervasive international money laundering ties of Australia-based organized criminal groups. The report also notes that major money laundering channels are prevalent in banking, money transfer and alternative remittance services, gaming, and luxury goods. Less visible conduits include legal persons and arrangements, cash intensive businesses, electronic payment systems, cross-border movement of cash and bearer negotiable instruments, international trade, and investment vehicles.

Trade-based money laundering (TBML), and its potential role in drug trafficking and importation, is a concern of law enforcement agencies. Australia’s lack of free trade zones is considered to have lowered the risk of TBML.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler’s checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

***REPORTING REQUIREMENTS:***

**Number of STRs received and time frame:** 81,074: July 2014 - June 2015

**Number of CTRs received and time frame:** 4,694,287: July 2014 - June 2015

**STR covered entities:** Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters; electronic funds transferors; insurers and insurance intermediaries; securities and derivatives dealers; registrars and trustees; issuers, sellers, or redeemers of traveler's checks, money orders, or similar instruments; preparers of payroll, in whole or in part in currency, on behalf of other persons; and currency couriers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 99: July 2013 - June 2014

**Convictions:** 77: July 2013 - June 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Australia is a member of the FATF and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/countries/a-c/australia/documents/mutualevaluationofaustralia.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Australia maintains a comprehensive system to detect, prevent, and prosecute money laundering. A statutory review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CFT Act), conducted by the Attorney-General's Department with assistance from AUSTRAC, is underway to examine the objectives and scope of the AML/CFT regime, opportunities for deregulation, the risk-based approach to AML/CFT, and industry reporting obligations. The review is being conducted in the context of the government's deregulation agenda, and minimizing the compliance burden on industry is a priority. The report of the statutory review will be submitted to Government in the first half of the 2015-16 financial year.

Following amendments to the AML/CFT Act, customer due diligence (CDD) requirements became effective June 2014, which protect Australia's revenue base through enhanced collection and verification of customer information, and safeguard national security from organized criminals and money launderers misusing the complex business structures to conceal their ownership and controlling interest. A major enforcement tool to reduce money laundering risks inherent in the alternative remittance sector and informal value transfer systems is the ACC-led Eligo National Task Force (ENTF). The ENTF is an initiative involving the ACC, AUSTRAC, and the Australian Federal Police. In 2015, the ENTF resulted in 32 disruptions to criminal entities and identified 112 criminal targets previously unknown to law enforcement. The ENTF-initiated investigations resulted in seizures of more than A\$365.5 million (approximately \$262 million) in cash and drugs, 39 referrals to partner agencies, 40 financial intelligence reports to the Eligo Taskforce, and nine data mining information reports. As well as disrupting organized crime activities, the ENTF increases professionalism within the remittance sector to make it

more resistant to organized crime. U.S. law enforcement agencies continue to collaborate with the ENTF.

AUSTRAC also works with Australian industries and businesses to promote their compliance with AML/CFT legislation. Australia has active interagency task forces, and consultations with the private sector are frequent. AUSTRAC signed seven new financial intelligence exchange agreements in 2015, increasing the number of Australia's exchange instruments with international counterparts to 72. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Australia's Criminal Assets Confiscation Task Force brings together agencies with key roles in the investigation and litigation of proceeds of crime matters. The task force identifies and conducts asset confiscation matters.

In May 2014, the government announced that the AUSTRAC Supervisory Levy would be replaced with the AUSTRAC Industry Contribution. From the 2014-15 financial year onwards, reporting entities will pay a levy that allows AUSTRAC to recover the costs of its regulatory and financial intelligence. In June 2015, AUSTRAC started preparations for the 2015-16 industry contribution which will commence early in the 2015-16 financial year.

For the third year in a row, Australia observed a notable increase in filings in the suspicious transaction report (STR) category 'Refusal to show ID/complete cash transaction report,' which can be attributed to the tightening of third-party currency transaction report (CTR) reporting obligations. Over the last two reporting years, the number of STRs filed with AUSTRAC increased approximately 45 percent. The increase reflects reporting entities' increased awareness of events occurring overseas that are relevant to Australia.

In 2014, AUSTRAC completed Australia's first classified National Risk Assessment on terrorism financing. A sanitized report titled "Terrorism Financing in Australia 2014" notes that Australia's banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts. Terrorism financing in Australia varies in scale and sophistication, ranging from organized fundraising by domestic cells which are part of a larger, organized international network, to funds raised by small, loosely organized, and self-directed groups. While AUSTRAC is not currently preparing an updated version of its 2014 report, AUSTRAC disclosed that terrorism-related "suspicious matter reports" had increased threefold from 118 in 2013-14 to 367 in 2014-15.

In May 2015, the Government of Australia announced the establishment of a Serious Financial Crimes Taskforce (SFCT) to replace Project Wickenby, the cross-agency task force that played a key role in the fight against tax evasion, avoidance, and crime from 2006 until its termination on June 30, 2015. With a broader remit, and operational from July 1, the SFCT is also a multi-agency taskforce that forms part of the Australian Federal Police-led Fraud and Anti-Corruption Center. Drawing together the Australian Taxation Office, Australian Crime Commission, Australian Federal Police, Attorney-General's Department, Australian Transaction Reports and Analysis Centre, Australian Securities and Investments Commission, Commonwealth Director of Public Prosecutions, and Australian Customs and Border Protection Services, SFCT's primary role is to focus on operational activities, collect and share intelligence, identify reform measures

with the aim of removing wealth from criminal activity, prosecute facilitators and promoters of serious financial crime, and deploy deterrent and preventative enforcement strategies.

Australia should require real estate agents, solicitors, and accountants to report suspicious transactions.

## Austria

Austria is a major regional financial center. Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs to some extent within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking, and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not a frequent offshore destination for illicit funds and has no free trade zones.

Casinos and gambling are legal in Austria, but in some provinces slot machines are prohibited, and there are efforts underway to limit certain aspects of sport betting. The laws regulating casinos include AML/CFT provisions. There are migrant workers in Austria who send money home via all available channels, including regular bank transfers and money transmitters, but also informal and illegal remittance systems. No information is available to what extent informal systems are used.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

### ***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** *criminally:* YES *civilly:* NO

### ***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* NO

***KYC covered entities:*** Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, and auditors

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 1,673 in 2014

**Number of CTRs received and time frame:** Not applicable

**STR covered entities:** Banks and credit institutions; domestic financial institutions authorized to conduct financial leasing, safe custody, portfolio and capital consulting, credit reporting, and mergers and acquisitions services; brokers and securities firms; money transmitters and exchanges; insurance companies and intermediaries; casinos; all goods dealers; auctioneers and real estate agents; lawyers, notaries, certified public accountants, auditors, and customs officials

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 426 in 2014

**Convictions:** 46 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:**           **MLAT:** YES       **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Austria is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofaustria.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Austria has in place comprehensive AML/CFT legislation. In recent years, the government reformed the financial intelligence unit operational procedures and supervisory framework; developed and published regulations and guidelines; and organized a series of outreach events and training to increase the level of awareness of AML/CFT.

Austria has an “all serious crimes” approach to the criminalization of money laundering plus a list of predicate offenses that do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards.

Austrian banks have strict legal requirements regarding secrecy. However, the law stipulates that secrecy regulations do not apply with respect to banks’ obligation to report suspicious transactions in connection with money laundering or terrorism financing, or with respect to ongoing criminal court proceedings. Any amendment of these secrecy regulations requires a two-thirds majority approval in Parliament. In 2014, Austria accepted a long-delayed EU law to curtail bank secrecy and tax evasion. The law requires the EU member states to automatically exchange information on accounts held by their citizens abroad. Austria said it needed more time to comply with the agreement and create a new reporting system. Austria was given until 2018 to comply.

The Austrian Financial Market Authority (FMA) regularly updates a regulation issued January 1, 2012, which mandates banks and insurance companies apply additional special due diligence when doing business with designated countries. In 2014 the regulation stipulated increased

scrutiny for foreign “politically exposed persons (PEPs),” such as government members, politicians, and prominent public officials.

After a decline in the previous year, the number of filed suspicious transaction reports (STRs), and particularly prosecutions and convictions, rose significantly in 2014. Austrian authorities maintain that the improved legal framework and training contributed to this development. The number of AML convictions in relation to the amount of prosecutions remains quite low.

## **Bahamas**

The Commonwealth of the Bahamas is a regional and offshore financial center. The country’s economy is heavily reliant upon tourism, tourism-driven construction, and the offshore financial sector. The Bahamas remains a transit point for illegal drugs bound for the United States and other international markets. The major sources of laundered proceeds are drug trafficking, firearms trafficking, gambling, and human smuggling. There is a black market for smuggled cigarettes and guns. Money laundering trends include the purchase of real estate, large vehicles, boats, and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in the Bahamas to launder significant sums of money.

According to a 2013 report by the International Monetary Fund (IMF), the Bahamian financial system is “exceptionally large,” reflecting the country’s role as a “major offshore financial center.” The report noted the financial system had total gross assets equivalent to 96 times GDP with total assets of the offshore banking sector equivalent to 75 times GDP. The offshore sector consists mostly of branches or subsidiaries of global financial institutions and pursues a variety of business models.

The archipelagic nature of the Bahamas and its proximity to the United States make the entire country accessible by all types of watercraft, including small sail boats and power boats, thereby making smuggling and moving bulk cash relatively easy. The country has one large free trade zone (FTZ), Freeport Harbor. The FTZ is managed by a private entity, the Freeport Harbor Company, owned and operated through a joint venture between Hutchison Port Holdings (a subsidiary of Hutchison Wampoa, based in Hong Kong) and The Port Group (The Grand Bahama Port Authority, the Bahamian parastatal regulatory agency). The Freeport Harbor Company includes the Freeport Container Port and Grand Bahama International Airport as well as private boat, ferry, and cruise ship facilities and roll-on/roll-off facilities for containerized cargo and car transshipments. Freeport Harbor has the closest offshore port to the United States.

Casino gaming is legal for tourists. The Bahamas has four large casinos, including a casino in Bimini that draws in customers from the United States via a ferry service to and from Miami. The \$3.5 billion Chinese Export-Import Bank-funded Baha Mar Casino and Resort on New Providence Island, which has been in development since 2011, did not open as scheduled in 2015. If opened, it would be the largest casino in the Caribbean. Current law prohibits Bahamian citizens, permanent residents, and temporary workers from gambling in casinos. However, gaming operations based on U.S.-based lottery results and hosted on the internet,

locally known as “web shops,” flourish in the Bahamas. In September 2014, the government passed a comprehensive gaming bill designed to regulate the web shops and bring internet-based gaming into compliance with industry standards. Implementation is ongoing. Regulations require web shop operators to apply for a license, pay taxes on revenue and property, and comply with internal control standards.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** *criminally:* YES *civily:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks and trust companies, insurance companies, securities firms and investment fund administrators, credit unions, financial and company service providers, cooperatives, societies, casinos, lawyers, accountants, and real estate agents

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available  
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** *MLAT:* YES *Other mechanism:* YES  
***With other governments/jurisdictions:*** YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/the-bahamas-1>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of the Commonwealth of the Bahamas has the requisite institutional and legal framework to combat money laundering. In order to better gauge the effectiveness of the government's AML programs, authorities should release information on the numbers of suspicious transaction reports (STRs), prosecutions, and convictions.

The IMF report noted that, while oversight of the financial system has improved, the Bahamas is still recognized as a significant tax haven. For example, the Bahamas does not disclose in a public registry information about trusts and foundations; the Bahamas does not maintain official records of company beneficial ownership or place them in a public registry; there are no requirements that company accounts be placed on public record; nor does the Bahamas require resident paying agents to tell the domestic tax authorities about payments to non-residents.

The government's National Anti-Money Laundering Task Force, which meets monthly, is led by the Inspector at the Compliance Commission and includes representatives from the government and private sector. The goal of the body is to implement and comply with international standards to prevent and control money laundering and combat terrorist financing. The Task Force should seek to engender an AML culture in the Bahamas.

The Government of the Commonwealth of the Bahamas should continue to provide resources and training to its law enforcement, judicial, and prosecutorial bodies in order to investigate and prosecute money laundering; enforce existing legislation; and safeguard the financial system from possible abuses. With the expansion of gaming oversight, the government should ensure full implementation of appropriate safeguards, and continue to provide STR training. The Financial Intelligence Unit, in cooperation with Royal Bahamas Police Force financial investigators, should continue its outreach, training, and coordination with banking and non-banking sectors to assist institutions in implementing and maintaining effective STR regimes. The Bahamas should further enhance its AML/CFT regime by criminalizing bulk cash smuggling; continuing implementation of the National Strategy on the Prevention of Money Laundering; ensuring full compliance with UNSCRs 1267 and 1373; establishing a currency transaction reporting system; and, implementing a system to collect and analyze information on the cross-border transportation of currency. It also should ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

## **Belize**

Belize is not a major regional financial center; however, it has a substantial offshore financial sector. Belize is a transshipment point for marijuana and cocaine, and human trafficking is a concern. There are strong indications that laundered proceeds are increasingly related to organized criminal groups involved in the trafficking of illegal narcotics, psychotropic substances, and chemical precursors. The Government of Belize continues to encourage offshore financial activities that are vulnerable to money laundering and terrorist financing, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. The Belizean dollar is pegged to the U.S. dollar.

In 2013, the Caribbean Financial Action Task Force (CFATF) included Belize in its Public Statement for not making sufficient progress in addressing AML/CFT deficiencies and not

complying with its action plan to address those deficiencies. In June 2015, the CFATF noted that Belize has made substantial progress and removed it from the Public Statement.

Belizean officials suspect there is money laundering activity in their two free trade zones, known as commercial free zones (CFZs). The larger of the two, the Corozal Commercial Free Zone, is located on the border with Mexico. The smaller CFZ, the Benque Viejo Free Zone, is located on the western border with Guatemala. The Corozal CFZ is designed to attract Mexican citizens for duty free shopping; Belizean authorities believe it is heavily involved in trade-based money laundering and the illicit importation of duty free products.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 216: January 1 - November 15, 2015

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions; building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries; attorneys; accountants and auditors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2015

***Convictions:*** 1 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

*With other governments/jurisdictions:* YES

Belize is a member of the CFATF, a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=352&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=352&Itemid=418&lang=en)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Over the last three years, Belize made a turnaround in strengthening its legal infrastructure for oversight of the financial industry. Political will and involvement of different levels of government and public sector agencies as well as the private sector continue to be key elements in the reform process.

In addition to 2014 amendments to several acts, regulations were also promulgated or strengthened to include: Designated Non-Financial Business or Profession (DNFBP) Regulation; International Financial Services Commission; National Anti-Money Laundering regulations; Gaming – administrative penalty regulations; and the Misuse of Drugs Order. Belize’s financial intelligence unit (FIU) worked with international donors to draft the new Proceeds of Crime Legislation. Despite the new laws and regulations, some international experts have said experienced staff and political will to use the new tools to actually implement an assertive program of investigation and prosecution are still necessary. There was reportedly one money laundering prosecution and conviction in 2015.

The FIU continues to have ongoing organizational issues, and there is currently only one less-experienced attorney to prosecute cases. The FIU has a broad mandate and a small staff, and does not have sufficient training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. There is limited assistance from other law enforcement agencies, governmental departments, and regulatory bodies. The FIU is improving awareness of AML/CFT programs and has conducted training events for many businesses, including those in the CFZs. The FIU is reportedly in discussions with the Belize Police Department, special police units, and the Comptroller of Customs to develop a memorandum of understanding to support intelligence sharing and more integrated operations.

In 2014, the U.S. Government, with assistance from Belize’s FIU, indicted six corporate executives and six corporate entities for orchestrating a \$500 million offshore asset protection, securities fraud, and money laundering scheme. In a related action, the FIU froze assets of a company associated with the U.S. prosecution, but in November 2014, Belize’s Chief Justice ordered the FIU to release those assets due to insufficient evidence to justify the continued freezing of those accounts. The local case has floundered.

While the Government of Belize is commended for its recent legislative and regulatory work, it should also demonstrate its commitment by providing additional resources, training, and political will to effectively enforce the country’s enhanced AML/CFT regime. Its loosely monitored offshore financial sector continues to be a concern. Furthermore, the historically low prosecution and conviction figures reflect the lack of robust enforcement efforts. The government should ensure its investigative, prosecutorial, and judicial personnel have the

capacity and resources to successfully fulfill their responsibilities. Belize should become a party to the UN Convention against Corruption.

## Bolivia

Bolivia is not a regional financial center, but remains vulnerable to money laundering. Illicit financial activities are related primarily to cocaine trafficking and include corruption, tax evasion, smuggling, and trafficking in persons. Criminal proceeds laundered in Bolivia are derived from smuggling contraband and from the foreign and domestic drug trade.

There is a significant market for smuggled goods in Bolivia. Chile is the primary entry point for illicit products, which are then sold domestically or informally exported to Brazil and Argentina. According to World Bank estimates, between 60 and 70 percent of the Bolivian population works in the informal economy, composed of thousands of micro-enterprises offering numerous opportunities for money laundering activities. According to the Bolivian Center for Multidisciplinary Studies (CEBEN), a local economic think-tank, the informal sector offers ample opportunity to avoid detection. In the informal sector, large amounts of money are split into smaller quantities to avoid detection and review by the financial regulatory agencies. This laundered money then enters the formal market through the financial system.

Informal currency exchange businesses and non-registered currency exchanges are illegal. There is no indication that illicit financial activity is linked to terrorism financing, though lack of proper safeguards creates a vulnerability to such activity. Much of the informal economic activity occurs in non-regulated commercial markets where many products can be bought and sold outside of the formalized tax system. Public corruption is common in these commercial markets and money laundering activity is likely.

The Bolivian financial system is moderately dollarized, with some 20 percent of deposits and 10 percent of loans distributed in U.S. dollars rather than Bolivianos, the national currency. Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, Desaguadero, and Cobija. Casinos (hard gaming) are illegal in Bolivia. Soft gaming (e.g., bingo) is regulated; however, many operations have questionable licenses.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES

**KYC covered entities:** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 486: January 1 - October 31, 2015

**Number of CTRs received and time frame:** 1,985,064: January 1 - October 31, 2015

**STR covered entities:** Banks, micro-financial institutions, insurance companies, exchange houses, remittance companies, securities brokers, money transport companies, and financial intermediaries

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 40 in 2014

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** *MLAT:* NO *Other mechanism:* YES

**With other governments/jurisdictions:** YES

Bolivia is a member the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/en/evaluaciones\\_mutuas/Bolivia\\_3era\\_Ronda\\_2011.pdf](http://www.gafilat.org/UserFiles/documentos/en/evaluaciones_mutuas/Bolivia_3era_Ronda_2011.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In recent years Bolivia has enacted several laws and regulations that, taken together, should help the country to more actively fight corruption, terrorism, and money laundering. The Government of Bolivia should continue its implementation of the laws and regulations with the goal of identifying criminal activity that results in investigations, criminal prosecutions, and convictions.

In May 2014, Bolivia transferred control of Bolivia's Financial Investigative Unit (UIF) from the Financial System Supervision Authority, Bolivia's financial regulatory body, to the Ministry of Economy and Public Finance. The government's goal was to decentralize the UIF, giving it a greater degree of independence. However, since the move, statistics that were previously available to the public are no longer available online. Bolivia is working to rectify this issue in order to ensure statistics related to its AML/CFT regime are available to the public.

While the UIF reports to the Ministry of Economy and Public Finance, the unit has its own annual budget and significant independence. In less than two years under its new leadership, UIF has developed a program pivoting toward objectives drawn from international standards. Many of the international standards Bolivia is using as benchmarks were copied from Colombia and Mexico, two countries in the region with significant experience in the area. The UIF is

receiving guidance on money laundering issues from regional partners. UIF also is working to enhance its capacities in counter-terrorism finance.

In March 2015, General Hugo Nina Fernandez, former Director of the Bolivian Special Force to Fight Drug Trafficking and former Bolivian Police Commander, was arrested on charges of money laundering. Nina Fernandez and his legal team publicly implicated other high level Bolivian officials. There have been no reported developments since March.

Bolivia does not have a mutual legal assistance treaty with the United States; however, various multilateral conventions to which both countries are signatories are used for requesting mutual legal assistance.

Bolivia should continue to strengthen its AML/CFT regime by addressing identified weaknesses.

## Brazil

In 2015, Brazil was the second-largest economy in the Americas and among the ten largest economies in the world, by nominal GDP. It is a major drug-transit country, as well as one of the world's largest consumer countries. São Paulo, Brazil's largest city, is considered a regional financial center for Latin America. Money laundering in Brazil is primarily related to domestic crimes, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband and counterfeit goods. Money laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

São Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to São Paulo and the TBA, other areas of the country continue to be of concern. The Government of Brazil and local officials in the states of Mato Grosso do Sul and Paraná, for example, report increased involvement by Rio de Janeiro and São Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

Brazil has four free trade zones/ports (FTZs). The government provides tax benefits in certain FTZs, which are located to attract investment to the country's relatively underdeveloped North and Northeast regions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: NO civilly: NO

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 251,234: January 1 - October 31, 2015  
*Number of CTRs received and time frame:* 860,802: January 1 - October 31, 2015  
*STR covered entities:* Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art, and antiques

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available  
*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* MLAT: YES *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Brazil is a member of the FATF and the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/brazil/>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

On October 16, 2015, President Rousseff signed Law #13.170 which provides procedures for freezing assets relating to UNSCRs and for information provided bilaterally, closing a longstanding gap in Brazil’s ability to confront terrorist financing. Terrorism and terrorist financing are still not criminalized in a manner consistent with international standards; a bill has been pending before Congress for several months.

In March 2014, money laundering at a gas station tipped off Brazilian law enforcement to a connection with the parastatal oil company, Petrobras. Since then, “Operation Carwash” (*Lava Jato*) has uncovered a complicated web of corruption, money laundering, and tax evasion, leading to the arrests of money launderers, Petrobras directors, and major construction company

executives. Many Brazilian politicians are also under investigation. The landmark operation continues to uncover what many believe is already the biggest corruption scandal in Brazilian history.

Brazil does not maintain comprehensive statistics on money laundering prosecutions and convictions. This lack of data makes it difficult to evaluate the effectiveness of Brazil's AML/CFT regime.

The Government of Brazil continues to invest in border and law enforcement infrastructure. Brazilian Customs and the Brazilian Tax Authority continue to take action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Some high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a concern. Large sums of U.S. dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay into Brazil. From there, the money may make its way to banking centers in the United States. However, Brazil maintains some control of capital flows and requires disclosure of the ownership of corporations.

Brazil's Trade Transparency Unit, in partnership with U.S. Immigration and Customs Enforcement, analyzes, identifies, and investigates companies and individuals involved in trade-based money laundering activities between the two countries. As a result of data comparison, the government identified millions of dollars of lost revenue.

Brazil should pass legislation to fix the gap in its legal framework regarding the criminalization of terrorist financing. The government also should maintain and release statistical data regarding the volume of money laundering prosecutions and convictions.

## **British Virgin Islands**

The British Virgin Islands (BVI) is a UK overseas territory. The economy is dependent on tourism and the offshore financial sector. BVI is a well-established, sophisticated financial center offering accounting, banking, and legal services; captive insurance; company incorporation; mutual funds administration; trust formation; and shipping registration. The BVI is advertised as the world's leading offshore center with more offshore companies than any other country. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. The FSC's most recent statistical bulletin was published in September 2015 and notes there are 475,309 active companies. Of these companies, 123 are licensed fiduciary companies authorized to conduct company management and trust services. There are six commercially licensed banks, one private bank, and 2,037 registered mutual funds, which include public, private, professional, incubator, and approved funds. As of September 2015, the banking sector has assets valued at \$2.4 billion.

The BVI has zero-rated corporation tax, with no wealth, capital gains, or estate tax for offshore entities. Exploitation of its offshore financial services, the unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks. The BVI is a favored destination for registering shell companies that can be established for little money in a short amount of time. There are reports that a substantial percentage of BVI's offshore business comes from China.

Tourism accounts for 45 percent of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. The BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI, similar to other jurisdictions in the Eastern Caribbean, is a major target for drug traffickers, who use the area as a gateway to the United States. BVI authorities work with regional and U.S. law enforcement agencies to help mitigate the threats.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 234: January 1 – November 11, 2015  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks and fiduciary services; money service businesses; insurance agencies; investment businesses; insolvency practitioners; trust and company service providers; charities and nonprofit associations; dealers in autos and yachts; dealers in precious metals, stones, and other high-value goods; real estate agents, notaries, lawyers, other independent legal advisers, and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2014

*Convictions:* 2 in 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

BVI is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=327&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=327&Itemid=418&lang=en)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

BVI uses suspicious activity reports (SARs) rather than suspicious transaction reports (STRs). SARs, in general, relate to suspicious activities by a broad range of entities, rather than suspicious financial transactions. Therefore, the cited 234 reports encompass all types of suspicious activities, including those of a financial nature.

From January through September 2015, the BVI Enforcement Committee reviewed 51 enforcement cases, resulting in seven administrative penalties, five license revocations, and four warning letters.

There is collaboration between BVI law enforcement and regional as well as U.S. law enforcement agencies, resulting in several successful operations targeting drug smuggling and drug dealing. There have been 25 money laundering related prosecutions and 15 convictions since 2008.

The BVI is a UK Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 UN Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime were extended to the BVI in 2012.

In 2013, the Government of the United Kingdom announced plans for the UK and its overseas territories and crown dependencies to establish mandatory registers of beneficial ownership. The BVI has implemented a register which would allow BVI competent authorities direct and immediate ownership information; however, this registry is not publicly available. The Government of the BVI should work toward the goal of making information on beneficial ownership of offshore entities available for legitimate requests by international law enforcement and, eventually, to the public.

## **Burma**

Burma is not a regional or offshore financial center. Its economy is underdeveloped, as is its financial sector, and most currency is still held outside the formal banking system, although bank

deposits have increased over the past several years. The lack of financial transparency, the low risk of enforcement and prosecution, and the large illicit economy makes it potentially appealing to the criminal underground. Besides narcotics, trafficking in persons; the illegal trade in wildlife, gems, and timber; and public corruption are major sources of illicit proceeds. Global Witness estimates the amount of jade extracted and exported to China through porous borders are annually in the tens of billions of dollars. Yet annual tax receipts from jade stand at approximately \$374 million - representing not even 2 percent of production. Both the smuggling and customs fraud involved are predicate offenses for trade-based money laundering. Most of the companies involved are either directly owned by the army, or operated by cronies with close ties to military and government officials.

Many Burmese, particularly emigrants remitting money from Thailand or Malaysia to family in Burma, have relied on informal money transfer mechanisms, such as hundi, a type of alternative remittance system that has been abused by criminal networks. Many business deals and real estate transactions are done in cash. Less than 15 percent of adults have a bank account. As a result of the cash-based economy and informal money transfer systems, it is very difficult for authorities to follow the money trail.

Burma continues to be a major source of opium and exporter of heroin, second only to Afghanistan. Since the mid-1990s, Burma has also been a regional source for amphetamine-type stimulants. The 2015 joint Burma-UN Office of Drugs and Crime illicit crop survey reported that opium poppy cultivation decreased this year after having risen for eight consecutive years. The government faces the additional challenge of having vast swaths of its territory, particularly in drug producing areas along Burma's eastern borders, controlled by non-state armed groups. In some areas, continued conflict between ethnic armed groups and Burma's government allow organized crime groups to function with minimal risk of interdiction. Burma's long, porous borders are poorly patrolled.

Corruption is endemic in both business and government. Although recent economic reforms have significantly increased competition and transparency, State-owned enterprises and military holding companies retain influence over the economy, including control of a substantial portion of Burma's natural resources. There is a continued push to privatize more government assets. The privatization process provides potential opportunities for graft and money laundering, including by business associates of the former regime and politicians in the current civilian government, some of whom are allegedly connected to drug trafficking. Rising trade and investment flows, involving a wider range of countries and business agents, also provide opportunities for increased corruption and illicit activities. The rule of law remains weak, and Burma continues to face a significant risk of narcotics proceeds being laundered through commercial ventures.

There have been at least five operating casinos, including one in the Kokang special region near China (an area the Burmese government does not control), that primarily have targeted foreign customers. Little information is available about the regulation or scale of these enterprises. They continue to operate despite the fact casino gambling is officially illegal in Burma.

In July 2013, the U.S. ban on Burmese imports imposed in 2003 under the Burmese Freedom and Democracy Act and Executive Order 13310 ended, with the exception of restrictions on imports of jadeite and rubies. U.S. legislation and Executive Orders that block the assets of members of the former military government and three designated Burmese foreign trade financial institutions, freeze the assets of additional designated individuals responsible for human rights abuses and public corruption, and impose travel restrictions on certain categories of individuals and entities remain in force. On February 22, 2013, the U.S. Treasury issued General License No. 19 to authorize U.S. persons to conduct most transactions, including opening and maintaining accounts and conducting a range of other financial services, with four of Burma's major financial institutions that remain on Treasury's Specially Designated National (SDN) list: Asia Green Development Bank, Ayeyarwady Bank, Myanmar Economic Bank, and Myanmar Investment and Commercial Bank. U.S. persons are also permitted to conduct transactions with Burmese banks not included on the SDN list.

In November 2003, the United States identified Burma as a jurisdiction of "primary money laundering concern," pursuant to Section 311 of the USA PATRIOT Act, and issued a proposed rulemaking generally prohibiting U.S. financial institutions from establishing or maintaining correspondent accounts with Burmese financial institutions. This proposed rule was finalized on April 12, 2004. The U.S. took this action against Burma because of major deficiencies in its AML system.

Since 2011, Burma has been on the FATF Public Statement, the most recent of which is dated October 23, 2015, although the FATF no longer calls for countermeasures against Burma. To be removed from the blacklist, Burma must first complete all of the items in its action plan, agreed with the FATF in 2010. The FATF notes that Burma has made progress in implementing its action plan, including issuing new AML and CFT rules in 2015 and strengthening customer due diligence (CDD) requirements for the financial sector. Nevertheless, Burma still needs to address certain strategic AML/CFT deficiencies, including adequately criminalizing terrorist financing and implementing asset freezes pursuant to UNSCRs 1267 and 1373.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

**KYC covered entities:** Banks, insurance companies, credit societies, finance companies, microfinance institutions, casinos, real estate agents, dealers in precious metals, trust and company service providers, lawyers, notaries, car dealerships, and accountants

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** Not available

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks (including bank-operated money changing counters); the Customs Department, Internal Revenue Department, Trade Administration Department, Marine Administration Department, and Ministry of Mines; state-owned insurance company and small loan enterprise; securities exchange; accountants, auditors, legal and real estate firms and professionals; and dealers of precious metals and stones

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** Not available

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** NO **Other mechanism:** NO

**With other governments/jurisdictions:** YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=e0e77e5e-c50f-4cac-a24f-7fe1ce72ec62>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Burma's 2014 AML law criminalizes money laundering and defines predicate offenses. It also includes CDD requirements for all reporting entities. Regulations to implement the AML law were issued in September 2015. At the same time, regulations were issued to implement the counterterrorism law, also enacted in 2014. These regulations include provisions addressing the freezing of terrorist assets.

The informal economy generates few reliable records, and Burma makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is weak. In 2014, the government awarded limited banking licenses to nine foreign banks. They have subsequently opened branches but are restricted to providing loans in foreign currency and are required to partner with local banks in order to lend to local companies. This is likely to significantly increase the volume and frequency of cross-border currency transfers over the next few years. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available information precludes confirmation of such conduct.

In 2013, Burma enacted a law that grants the Central Bank both independence and exclusive jurisdiction over monetary policy. However, the Central Bank will require substantial assistance

and additional resources to develop its capacity to adequately regulate and supervise the financial sector, which remains very limited.

Efforts to address widespread corruption are impeded by an ingrained culture of bribe seeking within the civil service, including police. Low salaries create an incentive for civil servants to seek to supplement their incomes. The military has an untoward influence over civilian authorities, especially at the local level. A new anti-corruption law went into effect on September 17, 2013, but has not yet had a discernible impact.

Burma still needs to take a number of steps to improve its AML/CFT regime. The government should focus on implementation of its requirements on KYC and CDD. The FIU should become an agency that functions without interference from other government offices on its core mission to receive and conduct analysis of suspicious financial information, and Burma should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. Burma should end all policies that facilitate corrupt practices and money laundering, and strengthen regulatory oversight of the formal financial sector, including by strengthening the independence of the Central Bank.

## **Cambodia**

Cambodia is neither a regional nor an offshore financial center. Several factors, however, contribute to Cambodia's significant money laundering vulnerability. These include Cambodia's weak AML regime; its cash-based, dollarized economy; its outsized and inadequately-supervised banking and financial industries sector; its porous borders; and its unregulated or under-regulated non-financial sectors including, most significantly, the gaming and real property industries. A weak judicial system and endemic corruption are additional factors negatively impacting enforcement.

Cambodia has a significant black market for smuggled goods, including drugs and imported substances for local production of methamphetamine. Both licit and illicit transactions, regardless of size, are frequently done outside of formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, and other forms of property without passing through the formal banking sector. Casinos along the borders with Thailand and Vietnam are other avenues to convert ill-gotten cash. Bulk cash smuggling is recognized as a growing problem as is trade-based money laundering (TBML).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination  
*Are legal persons covered:*      *criminally:* YES      *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES      *Domestic:* NO  
*KYC covered entities:* Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; non-governmental organizations (NGOs) and foundations

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* Not available  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks, microfinance institutions, and credit cooperatives; securities brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals and stones; post offices offering payment transactions; lawyers, notaries, accountants, auditors, investment advisors, and asset managers; casinos and gaming institutions; NGOs and foundations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 0 in 2015  
*Convictions:* 0 in 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:*      *MLAT:* NO      *Other mechanism:* NO  
*With other governments/jurisdictions:* YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/mutual-evaluations/documents/default.aspx?pcPage=6>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The National Coordination Committee on Anti-Money Laundering and Combating the Financing of Terrorism is a permanent and senior-level AML/CFT coordination and policy-setting body. In the last year, it has continued to be active in putting forward legal and policy reforms to tackle the country’s AML deficiencies. In December 2014, the Government of Cambodia revised Strategy 5 in the National Strategies on AML/CFT 2013-2017 by adding seven more actions to build the capacity of Cambodia’s Financial Intelligence Unit (CAFIU) and law enforcement agencies as well as to expand and strengthen cooperation among relevant domestic agencies in AML/CFT activities.

The law on AML/CFT excludes pawnshops from its explicit list of covered entities but does allow the FIU to designate any other profession or institution to be included within the scope of the law.

Cambodia's AML/CFT law allows authorities to freeze assets relating to money laundering or the financing of terrorism until courts have rendered final decisions, but the AML/CFT regime lacks a clear system for sharing assets with foreign governments.

In 2015, CAFIU was admitted to the Egmont Group. CAFIU received approximately 1,000 suspicious transaction reports (STRs) and approximately 2 million currency transaction reports (CTRs) in the first 10 months of 2015.

The primary enforcement and implementation concerns involve the willingness of domestic authorities to adequately and efficiently share relevant information among themselves and to competently investigate and prosecute AML-related crimes. In addition, CAFIU oversight of financial institutions is weak. In response, the Government of Cambodia has established a Review Panel, led by the Counter-Terrorist Department of the General Commissariat of National Police, as part of the supplementary measures laid out in the National Strategies on AML/CFT 2013-2017. The Panel, which is comprised of CAFIU and relevant law enforcement agencies, serves as a mechanism to strengthen cooperation and improve information sharing among AML/CFT regulatory and law enforcement bodies.

Although gaming is illegal for Cambodian citizens, it is legal for foreigners in Cambodia. Cambodians often participate in illegal gaming. There are 57 legal casinos in the country. For example, the Cambodian town of Poipet, located along the Cambodia/Thailand border, has 10 casinos in operation. According to a UNODC report, more than 90 percent of the patrons in these casinos are Thai. No visa is required for Thai citizens, Thai baht is accepted, and daily return buses operate between Poipet and Bangkok and Pattaya, Thailand. As a result, large amounts of money flow through Poipet's casinos; it is estimated approximately \$12 million of cash destined for border casinos crosses the Poipet border every day. The casinos have weak to non-existent AML controls. Moreover, no casino located in Cambodia has ever submitted a cash or suspicious transaction report to CAFIU.

In 2015, Global Financial Integrity released a report analyzing data that shows, during the decade between 2004 and 2013, Cambodia lost at least \$15 billion to illicit financial outflows via TBML. Much of the wealth was shifted offshore. More than \$4 billion left the country in 2013 alone. TBML was also used to shift value into Cambodia. Most of the laundering was done via abusive trade mis-invoicing. TBML and customs fraud represent enormous income loss for the Government of Cambodia.

The Government of Cambodia should take further steps to implement adequate procedures for the confiscation of funds related to money laundering, ensure an effective CAFIU, and fully implement controls for cross-border cash movements. The government should continue its work to increase the volume and quality of reporting of STRs and CTRs from reporting entities of all types, but especially among those in high-risk sectors, such as casinos and participants in the real property industry. Given the high level of corruption and lack of public financial transparency,

the government also should require enhanced due diligence for domestic politically exposed persons (PEPs). Cambodia should work to strengthen control over its porous borders and crack down on customs fraud and TBML. The government should implement effective operational procedures both within and among affected agencies, and measure the effectiveness of these procedures on an ongoing basis. It should continue to undertake measures to increase the capacity of reporting entities, law enforcement and judicial agencies, and regulatory bodies. It also should empower and require law enforcement and regulators to strictly enforce AML/CFT laws and regulations.

## Canada

Money laundering activities in Canada are primarily a product of illegal drug trafficking, financial crimes, and fraud, notably capital markets fraud, commercial (trade) fraud, payment card fraud, and mass marketing fraud. The criminal proceeds laundered in Canada derive predominantly from domestic activity controlled by drug trafficking organizations and organized crime. Foreign-generated proceeds of crime also are laundered in Canada.

The money laundering methods used in Canada have remained relatively consistent in recent years. They include smuggling, money service businesses and currency exchanges; casinos; the purchase of real estate; wire transfers; establishment of offshore corporations; use of credit cards, stored value cards, digital currency, and new payment methods; use of nominees; use of foreign bank accounts; and the use of professional services such as lawyers and accountants. The use of professional services is a key money laundering threat.

Canada does not have a significant black market for illicit goods. Cigarettes and counterfeit goods and software are the most commonly smuggled goods in the country. There are indications that trade-based money laundering occurs, and underground financial systems are used within the immigrant community. Some human trafficking organizations engage in money laundering. Bulk cash smuggling is widespread.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: NO

**KYC covered entities:** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown (certain government agencies); money services businesses (MSBs); accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 92,531: April 1, 2014 - March 31, 2015

**Number of CTRs received and time frame:** 8,445,431: April 1, 2014 - March 31, 2015

**STR covered entities:** Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers and agents; agents of the Crown; MSBs; accountants and accounting firms; dealers in precious metals and stones; and notaries in British Columbia and Quebec

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 228: 2013-14

**Convictions:** 40: 2013-14

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Canada is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/#Canada>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In July 2015, Canada published its national inherent risk assessment on ML/TF. The purpose of this report is to better identify, assess, and understand inherent money laundering and terrorist financing risks in Canada.

On July 4, 2015, the Government of Canada pre-published for public consultation amendments to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations to strengthen its AML/CFT regime and improve its compliance with international standards. The proposed regulations introduce a number of regulatory amendments that are needed to enact some legislative amendments made in June 2014, as well as other standalone regulatory measures. The package of amendments would: expand the concept of politically exposed persons (PEPs) to include domestic PEPs and heads of international organizations; clarify the type of customer information reporting entities must obtain and keep as part of the customer due diligence process; clarify obligations to assess and document the risks associated with new technologies used by reporting entities; and expand the designated information that the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit, can disclose. Final publication for these amendments, scheduled for mid-2016, is required before the PEP provisions come into force. A new Security of Canada Information Sharing Act was

adopted in 2015 to facilitate the sharing of information between Canadian government agencies with regards to any activity that undermines the security of Canada, including terrorism.

Canada has a rigorous detection and monitoring process in place to identify money laundering and terrorism financing activities, but additional enhancements to its enforcement and conviction capability would be beneficial. FINTRAC made 1,260 disclosures to law enforcement and other government agencies from April 1, 2014 to March 31, 2015. Of these, 923 disclosures were money laundering related, 228 were terrorism financing or security threat related, and 109 were both money laundering and terrorism financing or security related.

Obstacles to successful enforcement include privacy rules that prevent FINTRAC from freely sharing information with law enforcement; complex investigations that can take understaffed police agencies years to finish; and overworked Crown Prosecutors. Though the legislative framework does not allow law enforcement agencies direct access to FINTRAC's databases, FINTRAC may disclose actionable financial intelligence to assist money laundering, terrorist financing, and security threat investigations.

Canada should continue its work to strengthen its AML/CFT regime and ensure its privacy laws do not excessively prohibit providing information to domestic and foreign law enforcement that might lead to prosecutions and convictions. The government should further enhance its enforcement and conviction capability.

## **Cayman Islands**

The Cayman Islands, a UK Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to foreign criminal activity and involves fraud, tax evasion, and drug trafficking, largely cocaine. The offshore sector is used to layer or place funds into the Cayman Islands financial system. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of June 30, 2015, the banking sector had \$1.398 trillion in international assets. As of September 2015, there are 193 banks, 151 trust company licenses, 118 company managers and corporate service providers, 740 captive insurance companies, six money service businesses, and almost 100,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, as of September 2015 there are approximately 11,215 mutual funds, of which 7,889 are registered, 2,830 are master funds, 395 are administered, and 101 are licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares are generally issued by exempt companies and must be immobilized.

Gambling is illegal. The Cayman Islands does not permit the registration of offshore gaming entities. The authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock in the jurisdiction. Cayman Enterprise City, as a Special Economic Zone

(SEZ), was established in November 2011 for knowledge-based industries, primarily Internet & Technology, Media & Marketing, Commodities & Derivatives, and Biotechnology. A potential area of vulnerability is in the commodities and derivatives sphere.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 568: July 1, 2014 – June 30, 2015  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks, trust companies, investment funds, fund administrators, securities and investment businesses, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2: January 1 – October 31, 2015  
***Convictions:*** 2: January 1 – October 31, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthecaymanislands.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In 2015, the Cayman Islands released a draft money laundering self-risk assessment. The findings included outdated AML/CFT laws and regulations, weak supervision of nonprofits and non-financial organizations, and insufficient international cooperation.

The Cayman Islands Legislative Assembly passed the Proceeds of Crime (Amendment) Law 2015 on April 17, 2015. This amendment repeals section 5(1)(b) of the Proceeds of Crime Law (2014 Revision), replacing the Financial Secretary with the Chief Officer in the Ministry responsible for Financial Services, or the Chief Officer's designate, as a member of the Anti-money Laundering Steering Group.

The Department of Commerce and Investment now supervises real estate agents and precious metal dealers. The Government of the Cayman Islands reports that AML/CFT supervision will be enhanced for designated non-financial businesses and professions (DNFBPs) that trade or store precious metals and stones and financial derivatives and when trades occur within the SEZ. A Special Economic Zone (Amendment) Bill is expected to be presented to the Legislative Assembly in early 2016. The bill will allow for stronger due diligence and will authorize the Special Economic Zone Authority to request beneficial ownership information.

In 2015, the Financial Reporting Authority (FRA), the financial intelligence unit, cooperated with the United States on two cases regarding ongoing corruption investigations involving FIFA officials, which include several million dollars of fraud and money laundering schemes by entities with overseas connections. This has resulted in assets of the entities being reported frozen in various jurisdictions.

The Cayman Islands continues to develop its network of tax information exchange mechanisms and has a network of 36 signed information exchange agreements, with 29 in force. Pursuant to legislation and intergovernmental agreements, the Cayman Islands exchanged tax information with the United States in 2015, and will exchange information with the United Kingdom in 2016.

As a UK overseas territory, the Cayman Islands cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any convention to be extended to the Cayman Islands. The 1988 UN Drug Convention was extended to the Cayman Islands in 1995. The UN Convention Against Transnational Organized Crime was extended to the Cayman Islands in 2012. The UN Convention against Corruption has not yet been extended to the Cayman Islands; however, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not yet been finalized by the UK, although the provisions of the convention are implemented by domestic laws.

The Cayman Islands reportedly is considering changes to its AML/CFT regime, including incorporating a risk-based approach in money laundering regulations; implementing a supervisory framework for DNFBPs and non-profit organizations, imposing administrative penalties for financial and DNFBP supervisors; incorporating tax crimes as a money laundering offense under the Proceeds of Crime Law; and increasing human resources for the FRA and the Financial Crimes Unit of the Royal Cayman Islands Police Service. The government should take

steps to adopt and implement these items. The Government of the Cayman Islands decided to continue its current non-transparent method when it comes to disclosing beneficial ownership information. The government should set up a public central register to bring together this information to facilitate access by law enforcement.

## China, People's Republic of

The development of China's financial sector has required increased enforcement efforts to keep pace with the sophistication and reach of criminal networks. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Criminal proceeds are generally laundered via methods that include bulk cash smuggling; trade-based money laundering (TBML); manipulating invoices for services and the shipment of goods; purchasing valuable assets, such as real estate, art, and gold; investing illicit funds in lawful sectors; gaming; and exploiting formal and underground financial systems, in addition to third-party payment systems. Chinese officials have noted that corruption in China often involves state-owned enterprises, including those in the financial sector. According to Global Financial Integrity (GFI), China leads the world in illicit capital flows as measured by trade mis-invoicing – a form of TBML. GFI estimates that approximately \$260 billion left the country in 2013.

While Chinese authorities continue to investigate cases involving traditional money laundering schemes, they have also identified the adoption of new money laundering methods, including illegal private equity fundraising activity, cross-border telecommunications fraud, and corruption in the banking, securities, and transportation sectors. Chinese authorities also have observed that money laundering crimes continue to spread from developed coastal areas such as Guangdong and Fujian provinces to underdeveloped, inland regions.

China is not considered a major offshore financial center; however, China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, provincial, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 other coastal cities. As part of China's economic reform initiative, China opened the Shanghai Free Trade Zone in 2013 and Tianjin, Guangdong, and Fujian in 2015.

Chinese foreign exchange rules cap the maximum amount of yuan individuals are allowed to convert into other currencies at approximately \$50,000 each year and restrict them from transferring yuan abroad directly without prior approval from the State Administration of Foreign Exchange. A variety of money laundering techniques are used to circumvent the restrictions, including structuring, using networks of family and friends, transferring value with the help of loved ones emigrating abroad, overseas cash withdrawals using credit cards, TBML, underground remittance systems such as *fei-qian* or "flying money," and organized gaming junkets to Macau and elsewhere. Chinese organized crime is also involved. In addition to capital flight, a substantial amount of money is laundered through the purchase of overseas properties in places such as Vancouver, Sydney, London, San Diego, and New York.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks and credit unions, securities dealers, insurance and trust companies, financial leasing and auto finance companies, and currency brokers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 24,531,000 in 2013  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks, securities and futures institutions, and insurance companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 11,645 in 2013  
*Convictions:* Not available

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* MLAT: NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

China is a member of the FATF as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/a-c/china/documents/mutualevaluationofchina.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While China’s October 2011 legislation addressed some deficiencies in the implementation of the requirements of UNSCRs 1267 and 1373, some deficiencies must still be addressed. These include guidance for designated non-financial businesses and professions; delisting and unfreezing procedures; and the rights of bona fide third parties in seizure/confiscation actions. In 2013, the People’s Bank of China published new guidance requiring Chinese banks to rate clients’ risks based on a variety of factors, conduct internal risk assessments by the end of 2015, and commence implementation of new internal control rules by January 1, 2015. To improve monitoring and reporting on suspicious transactions through bank cards, China issued a Notice on Further Strengthening AML Work on Bank Card Business. In 2015, Chinese authorities

issued guidelines for internet finance that include strengthened AML/CFT controls for internet finance operators.

In October 2015, the State Administration of Foreign Exchange (SAFE) published new rules to limit overseas cash withdrawals from credit cards, for the first time putting an annual cap on such overseas cash withdrawals through credit cards. In November, Chinese authorities arrested suspects for illegal foreign-exchange transactions totaling \$64 billion and announced a crackdown on underground banks that assist in the evasion of capital controls and the transfer of funds offshore.

In domestic cases, once an investigation is opened, all law enforcement entities and public prosecutors are authorized to take provisional measures to seize or freeze property in question to preserve the availability of the same for later confiscation upon conviction. Although China's courts are required by law to systematically confiscate criminal proceeds, enforcement is inconsistent and no legislation authorizes seizure/confiscation of substitute assets of equivalent value. Information about the implementation of the 2013 Criminal Procedure Law remains scarce.

The United States and China are parties to the Agreement on Mutual Legal Assistance in Criminal Matters. U.S. law enforcement agencies note China has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement-based cooperation, the Chinese government's inability to enforce U.S. court orders or judgments obtained as a result of non-conviction-based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S.-China cooperation in asset freezing and confiscation.

While China continues to make improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting international standards, implementation and transparency remain lacking, particularly in the context of international cooperation. The Government of the People's Republic of China should expand cooperation with foreign counterparts and pursue international AML/CFT linkages more aggressively. China's Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used, in a transparent fashion, to support the investigation and prosecution of a wide range of criminal activity. China also should cooperate with international law enforcement to investigate how indigenous Chinese underground financial systems and trade-based value transfer are used to circumvent capital restrictions for illicit outbound transfers and capital flight, and to receive inbound remittances and criminal proceeds for Chinese organized crime. China should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. The government should ensure all courts are aware of and uniformly implement mandatory confiscation laws.

## **Colombia**

Despite the Government of Colombia's fairly strict AML/CFT regime, the laundering of money, primarily from Colombia's illicit drug trade and illegal mining, continues to penetrate its economy and affect its financial institutions. Money laundering is a significant avenue for

terrorist financing in geographic areas controlled by both the Revolutionary Armed Forces of Colombia (FARC) and the bandas criminales (BACRIM). In 2015 there was a reported uptick in the use of dirty money to influence local and national elections.

The postal money order and securities markets; the smuggling of bulk cash, gasoline, liquor, and household appliances; wire transfers; remittances; casinos, games of chance, and other lottery schemes; electronic currency; prepaid debit cards; and prepaid cellular minutes are other techniques used to repatriate illicit proceeds to Colombia or to launder illicit funds within Colombia's borders. The trade of counterfeit items in violation of intellectual property rights is another method used to launder illicit proceeds. The 104 free trade zones in Colombia present opportunities for criminals to take advantage of inadequate regulation, supervision, and transparency.

Criminal organizations with connections to financial institutions in other countries smuggle merchandise to launder money through the formal financial system using trade and the non-bank financial system. In the black market peso exchange (BMPE), goods are bought with drug dollars from abroad and are either smuggled into Colombia via Ecuador, Venezuela, and other neighboring countries or brought directly into Colombia's customs warehouses, avoiding taxes, tariffs, and customs duties. Counterfeit and smuggled goods are readily available in well-established black markets in most major cities in Colombia, with proceeds from the sales of some of these goods directly benefiting criminal enterprises. In other trade-based money laundering schemes, goods are over- or under-invoiced to transfer value. According to experienced BMPE industry workers, evasion of the normal customs charges is frequently facilitated by the complicity of corrupt Colombian customs authorities.

COLJUEGOS is charged with regulating the gaming industry and all national and departmental lotteries. Indications are that much money laundering activity has moved to regionally-run lotteries, called "Chance," which are easily exploitable due to weaknesses in the reporting system of these games to central government regulators. COLJUEGOS is continuing its studies to better understand the incidents of suspicious transactions in "Chance" games, but it is a small organization with limited personnel and resources.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES  
**KYC covered entities:** Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries (customs brokers), credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, gold dealers, foreign currency traders, sports clubs, cargo transport operators, and postal order remitters

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 7,642: January – November 2015

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters, and international gold traders

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 73: January - October 2015

**Convictions:** 29: January - October 2015

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** *MLAT:* YES *Other mechanism:* YES

**With other governments/jurisdictions:** YES

Colombia is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Colombia\\_3era\\_Ronda\\_2008.pdf](http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Colombia_3era_Ronda_2008.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Key impediments to developing an effective AML/CFT regime are underdeveloped institutional capacity, limited interagency cooperation, lack of experience, and an inadequate level of expertise in investigating and prosecuting complex financial crimes. Colombian laws are limited in their respective authorities to allow different agencies to collaborate and pursue financial crimes, and there is a lack of clear roles and responsibilities among agencies. Despite improvements, regulatory institutions have limited analytical capacity and tools, and lack the technology to effectively utilize the vast amount of available data.

The Colombian Penal Code lays out a framework for an oral accusatory criminal justice system. Despite the positive institutional step of a 2014 reorganization of the Colombian Attorney General's Office (AGO) to, among other moves, create a specialized investigative body with the technical, financial, and investigative expertise to successfully detect and investigate money laundering/terrorist financing cases, the legal framework requires that all cases be investigated, creating a resource challenge for the limited number of prosecutors, who focus on the most serious cases. There is also a limited pool of trained prosecutors, police, and investigators outside of Bogota who have the ability to successfully investigate and prosecute ML/TF cases. Additional training is required.

COLJUEGOS continues to make limited gains by adding analytic capacity through technology purchases and training. However, the agency still has difficulty completing its regulatory obligations due to a lack of resources, unfamiliarity with how to process and share information with prosecutors and judicial police, and a lack of information sharing agreements with other regulatory and intelligence agencies. COLJUEGOS had stated its intention to address the “Chance” game issues, as well as other regulatory weaknesses, through stronger legislation, but new laws have yet to be passed.

Colombian law limits the effectiveness of law enforcement by restricting the disclosure of financial intelligence from Colombia’s financial intelligence unit (FIU), the Unit for Information and Financial Analysis (UIAF), to the AGO only. Although Colombia improved case coordination among the UIAF, prosecutors, and the Colombian National Police’s specialized judicial police units, the legal requirement that prosecutors conduct investigations means that many cases already investigated by UIAF must be re-examined by the AGO. This increases case processing time and adds unnecessarily to prosecutor caseloads.

Colombia’s 2014 Asset Forfeiture Reform Law, Law 1708, was designed to streamline the asset forfeiture process and was expected to reduce forfeiture case processing time. While the law gives Colombian authorities a strong tool, lack of familiarity with the law, especially outside of Bogota, continues to challenge the judicial sector. Moreover, a recent decision by the Supreme Court introduces an additional step to the proceedings, requiring prosecutors to first appear before an arraignment judge before the case can continue to the higher courts. This is likely to cause further delays in the process. In 2014, the Colombian government also reorganized the body in charge of managing seized assets obtained under the new asset forfeiture law, which was intended to increase the speed by which these assets could be discharged and the funds disbursed to the appropriate government entities. However, the AGO still retains the right to seize certain assets. A lack of coordination between the two entities, as well as a lack of sound practices and standards in the seizure and management of assets by both organizations continues to be an impediment.

The Government of Colombia should pass legislation that broadens respective authorities among agencies to foster collaboration in pursuing financial crimes. Agencies should have a clear delineation of roles and responsibilities, and regulatory institutions should have expanded analytical capacity and tools, including technology, to better convert the vast amount of available data into actionable information. The UIAF, in addition to regulatory agencies, should develop a mechanism for including prosecutors in its investigations from the start to ensure greater prosecutor participation and prosecutorial utility of the information gathered. Colombia should ensure appropriate training is provided to all officials involved in supervising, investigating, and prosecuting money laundering and terrorism financing. The government should increase the number of judges trained in money laundering and asset forfeiture, both in Bogota and in the regions where many of these cases occur.

## **Costa Rica**

Transnational criminal organizations increasingly favor Costa Rica as a base to commit financial crimes, including money laundering, as a result of its geographic location and other factors,

including limited enforcement capability. This trend raises serious concerns about the Costa Rican government's ability to prevent these organizations from further infiltrating the economy. As Costa Rica has shifted from a transit point to an operations base for regional narcotics trafficking organizations, the laundering of proceeds from illicit activities has increased. Proceeds from international narcotics trafficking represent the largest source of assets laundered in Costa Rica, although human trafficking, financial fraud, corruption, and contraband smuggling also generate illicit revenue. In 2015, the head of Costa Rica's intelligence agency, known as the DIS for its Spanish acronym, said that approximately \$4.2 billion annually is laundered in Costa Rica.

Much of the money laundering in Costa Rica is channeled through the country's nascent construction industry. Other sectors have been identified as vulnerable to exploitation by criminal organizations seeking to launder illicit proceeds, including both state and private financial institutions. Money/value transfer services, including money remitters, the casino industry, and the real estate sector, are also particularly susceptible. Various Costa Rica-based online gaming operations launder millions of dollars in illicit proceeds through the country and offshore centers annually. Authorities also have detected, however with less frequency, trade-based money laundering schemes. There have been no prosecutions related to terrorist financing, and measures to detect, investigate, and prosecute such financing are limited. Moreover, narcotics and arms trafficking linked to the Revolutionary Armed Forces of Colombia (FARC) and bulk cash smuggling by nationals from countries at higher risk for terrorist financing have been detected in recent years.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 214: January – November, 2015

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks, savings and loan cooperatives, pension funds, insurance companies and intermediaries, money exchangers, and money remitters; securities broker/dealers, credit issuers, sellers or redeemers of traveler's checks and postal money orders; trust administrators and financial intermediaries; asset managers, real estate developers and agents; manufacturers, sellers, and distributors of weapons; art, jewelry, and precious metals dealers; sellers of new and used vehicles; casinos, virtual casinos, and electronic or other gaming entities; lawyers and accountants

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** Not available

**Convictions:** 21 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** NO **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Costa Rica is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/IEM%204ta%20Ronda/MER\\_Costa\\_Rica\\_Final\\_Eng%20\(1\).pdf](http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/IEM%204ta%20Ronda/MER_Costa_Rica_Final_Eng%20(1).pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Costa Rica has made progress in enhancing its AML/CFT legal and regulatory frameworks. In addition, the Attorney General's Office established a Money Laundering and Asset Forfeiture Bureau and collaborates well with U.S. law enforcement agencies investigating financial crimes related to narcotics and other crimes. However, Costa Rica remains deficient in a number of areas, including with respect to the financing of terrorism and implementing appropriate risk-based policies to mitigate the money laundering risks identified in its 2014 risk assessment.

The Attorney General's Office still has not successfully prosecuted any complex money laundering schemes, although 21 persons were convicted on related money laundering charges in 2014. Moreover, regulators have only sanctioned a few entities for non-compliance of AML/CFT obligations. The scarcity of convictions and sanctions raises concerns regarding Costa Rica's capacity to effectively detect, prevent, investigate, and prosecute money laundering crimes; and combat the sophisticated criminal enterprises operating in the country.

A number of successful investigations concluded in the United States in 2015 have ties to Costa Rica, including the conviction in North Carolina of an individual for conspiracy to commit money laundering and six counts of international money laundering concealment. The subject was involved in a telemarketing scheme in which his co-conspirators contacted U.S. residents from call centers in Costa Rica, falsely claiming they had won substantial cash prizes in "sweepstakes." To claim the cash prizes, the victims were instructed to send a purported

“refundable insurance fee.” The subject was identified as a person who facilitated the laundering of hundreds of thousands of dollars received from the victims and sent to co-conspirators in Costa Rica.

Costa Rica does not have an adequate legal framework for non-conviction-based asset forfeiture. Recent legislative proposals would remedy this deficiency and enhance Costa Rica’s ability to dismantle criminal organizations.

In 2015, Costa Rican officials presented a National Strategy to Counter Money Laundering and Terrorism Financing. The strategy is designed to address noted deficiencies and challenges, including the lack of regulatory oversight of designated non-financial businesses and professions (DNFBPs); the lack of transparency regarding beneficial ownership of legal entities; an inadequate sanction regime for noncompliance; and insufficient resources, including personnel, allocated to primary AML/CFT stakeholders. The Government of Costa Rica should implement the strategy. However, significant obstacles, including a divided legislature and a national budget crisis, could impede the devotion of the resources necessary to progress on the plan.

## **Curacao**

Curacao is an autonomous country within the Kingdom of the Netherlands that defers to the Kingdom in matters of defense, foreign affairs, final judicial review, human rights, and good governance. Curacao is considered a regional financial center and, due to its location, it is a transshipment point for drugs from South America bound for the United States, the Caribbean, and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations take advantage of the availability of U.S. dollars, banking secrecy, offshore banking and incorporation systems, two free trade zones (airport and harbor), an expansive shipping container terminal with the largest oil transshipment center in the Caribbean, and resort/casino complexes to place, layer, and launder illegal proceeds. Money laundering occurs through real estate purchases and international tax shelters. Laundering activity also occurs through wire transfers and cash transport among Curacao, the Netherlands, and other Dutch Caribbean islands and illegal underground banking. Bulk cash smuggling is a continuing problem due to Curacao’s close proximity to South America.

Economic activity in the free zones continues to decline. Curacao’s active “e-zone” provides e-commerce investors a variety of tax saving opportunities and could be attractive to illegal activities.

The financial sector consists of company (trust) service providers, administrators, and self-administered investment institutions providing trust services and administrative services. These entities have international companies, mutual funds, and investment funds as their clients. Several international financial services companies relocated their businesses elsewhere because Curacao is fighting its perception of being a tax haven. Curacao continues to sign tax information exchange agreements (TIEAs) and double taxation agreements with other jurisdictions to prevent tax fraud, financing of terrorism, and money laundering.

Several casinos and internet gaming companies operate on the island, although the number of internet gaming companies is declining.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, and administration offices

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 510: January 1 – November 1, 2015  
***Number of CTRs received and time frame:*** 7,852: January 1 – November 1, 2015  
***STR covered entities:*** Banks, saving banks and building societies, money remitters and exchangers, financial leasing companies, credit associations, credit card companies, credit unions, life insurance companies, insurance brokers, securities broker/dealers, trust and company service providers, casinos, Customs, lawyers, notaries, accountants, tax advisors, auditors, jewelers and dealers in luxury goods, pawn shops, car dealers, real estate agents, administration offices, the Central Bank of Curacao and Sint Maarten, financial advisors, lotteries, online betting lotteries, dealers in precious stones and metals, construction material dealers, superannuation/pension funds, and administrators of investment institutions and self-administered investment institutions and investors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 1 in 2014  
***Convictions:*** 0 in 2014

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Curacao is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=349&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=349&Itemid=418&lang=en)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Dutch Kingdom government agencies continue to work together to combat organized crime in the Caribbean region. In 2014, local law enforcement authorities, together with their counterparts in the Netherlands, launched a three-year program intended to fight economic and financial crimes. This program has resulted in various seizures and arrests.

In March and November 2015, Curacao passed new legislation that addresses money laundering vulnerabilities in the money remittance and currency exchange sector. Also, the prescriptive list of indicators was removed and replaced by one category of subjective indicators that is flexible enough to allow reporting entities to submit what could be considered a suspicious or unusual transaction. This indicator is: transactions where there is a cause to presume they may be related to money laundering or terrorist financing.

The investigation into money laundering allegations against a now former member of the board of the Curacao Lottery Foundation, who also is a major lottery operator, is ongoing. The Government of Curacao's cooperation with the U.S. government led to the freezing of over \$30 million of the lottery operator's assets in the United States. The lottery operator is reputedly a major financier of a political party in Curacao. Curacao's gambling industry is allegedly intertwined with the mafia. A former prime minister and a current member of parliament are also on trial for alleged money laundering and associated crimes.

Curacao utilizes an "unusual transaction" reporting system. Pursuant to local legislation, the reporting entities file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) and not suspicious transaction reports (STRs), as is the custom in common law legal systems. The FIU analyzes the UTR and determines if it should be classified as a STR. There were 17,169 UTRs filed in 2015, as of November 1. From January 1 - November 1, 2015, there were 667 disseminated referrals to law enforcement agencies. On May 1, 2015, a new head of the FIU was appointed.

A few years ago, Curacao achieved a major result by confiscating funds from a Venezuelan drug trafficker who laundered criminal proceeds via Puerto Rico. As a result, in August 2015, U.S. authorities shared \$873,127.57 with Curacao, based on an asset sharing treaty. To amplify this success Curacao launched the "Confiscation and Asset Recovery Team Curacao."

The mutual legal assistance treaty between the Kingdom of the Netherlands and the United States applies to Curacao. Additionally, Curacao has a TIEA with the United States.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to

Curacao, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao. The UN Convention against Corruption has not been extended to Curacao.

Curacao should continue its regulation and supervision of the offshore sector and free trade zones, investigate the underground banking phenomenon, and pursue money laundering investigations and prosecutions. The government should work to fully develop its capacity to investigate and prosecute money laundering and terrorism financing cases. Curacao also should continue to strengthen cooperation within the Kingdom, particularly among agencies such as the Public Prosecutors Office, Customs, Immigration, Revenue Services, Coast Guard, and the Royal Dutch Marechaussee (military police).

## Cyprus

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the area the Turkish Cypriots declared independent in 1983. The United States does not recognize the “Turkish Republic of Northern Cyprus,” nor does any country other than Turkey.

Cyprus is a regional financial center, and until its financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. Cyprus’ preferential tax regime; double tax treaties with 55 countries, including the United States, several European countries, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership all contributed to Cyprus’ rise as a regional business hub. As of October 31, 2015, there were 252,890 companies registered in Cyprus, many of which belong to nonresidents, particularly Russians. Many of these nonresidents moved their money from banks to investment companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the greatest money laundering vulnerability in Cyprus is primarily due to international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The Republic of Cyprus government is on track to successfully complete a three-year economic bail-out program with the “Troika” (IMF, European Commission, and the European Central Bank) by the end of March 2016. The Troika program has helped the government address fiscal imbalances, although restructuring of the banking sector remains a work in progress. Capital controls were fully lifted in April 2015, two years after their introduction, and confidence is

returning in the local banking sector. After almost four years of recession, the Cypriot economy started growing again in 2015, recording growth that could reach 1.5 percent, although unemployment remains high at approximately 15 percent.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 813: January 1 – November 16, 2015

***Number of CTRs received and time frame:*** Not available

***STR covered entities:*** Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 15: January 1 – November 11, 2015

***Convictions:*** 24: January 1 – November 11, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:*     *MLAT:* YES           *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Cyprus is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Republic of Cyprus continues its efforts to counter criticisms of lax banking rules by strengthening its AML regime and resources. In 2015, despite the government-wide hiring freeze and caps on government spending, the Unit for Combating Money Laundering (MOKAS), the Republic of Cyprus's financial intelligence unit (FIU), hired two new staff members and continued to improve its analytical capacity. Cyprus has adopted and implemented new provisions addressing enhanced due diligence for politically exposed persons (PEPs) and inclusion of tax evasion as a money laundering offense.

Throughout 2015, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes.

Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. MOKAS can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Post financial crisis, Cypriot authorities and the public are paying increased attention to the need for transparency and avoiding questionable business practices. Cyprus should focus on enforcement and education, and maintain best business practices, particularly in light of plans to deregulate and establish a gaming industry.

**Area Administered by Turkish Cypriots**

The Turkish Cypriot-administered area lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. There are 22 banks in the area administered by Turkish Cypriots; seven are branches of international banks. The "Ministry of Economy" drafts banking "regulations" and the "central bank" supervises the implementation of the "regulations."

The offshore banking sector remains a concern to law enforcement. It consists of seven banks regulated by the "central bank" and 332 companies regulated by the "Ministry of the Economy." Offshore banks are not authorized to conduct business with residents in the north and may not deal in cash. Turkish Cypriots only permit banks licensed by Organization for Economic Co-

operation and Development-member nations or Turkey to operate an offshore branch in the north.

As of November 2015, there are 28 casinos in the Turkish Cypriot-administered area - four in Nicosia, three in Famagusta, three in Iskele, and 18 in Kyrenia. These remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

There are press reports of smuggling of tobacco, alcohol, meat, and fresh produce across the buffer zone. Additionally, intellectual property rights violations are a concern; a legislative framework is lacking; and pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO  
***KYC covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 664: January 1 – November 13, 2015  
***Number of CTRs received and time frame:*** Not available  
***STR covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 9: January 1 – November 13, 2015  
***Convictions:*** 3: January 1 – November 13, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO  
***With other governments/jurisdictions:*** YES

The area administered by Turkish Cypriots is not part of any FATF-Style Regional Body (FSRB) and thus is not subject to normal peer evaluations.

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While progress has been made in recent years with the passage of “laws” better regulating the onshore and offshore banking sectors and casinos, these “statutes” are not sufficiently enforced to prevent money laundering. The resources dedicated to enforcing the administered area’s “AML Law” fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for “law enforcement.” The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively because of the area’s money laundering and terrorist finance risks.

With international assistance, the Turkish Cypriots drafted new AML “legislation” in 2014 that incorporates UNSCRs 1267 and 1373 and extends to casinos and exchange houses. The “legislation” was referred to “parliament” in June 2014 for discussion and is still pending approval.

Banks and other designated entities are required to submit suspicious transaction reports (STRs) to the “FIU.” Following receipt, the “FIU” forwards STRs to the five-member “Anti-Money Laundering Committee,” which decides whether to refer suspicious cases to the “attorney general’s office,” and then, if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “central bank,” “police,” and “customs.”

The Turkish Cypriot authorities should continue their efforts to strengthen the “FIU” and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

## **Dominican Republic**

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports, and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and weak financial controls make the DR

vulnerable to money laundering and terrorism financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by Dominican businesses is a relatively common practice for those seeking to avoid taxes and customs fees, though the government is making efforts to sanction violators with fines. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion, and fraudulent financial activities, particularly transactions with forged credit cards. U.S. law enforcement has identified networks smuggling weapons into the DR from the United States. Car dealerships, the precious metals sector, casinos, tourism agencies, and real estate and construction companies contribute to money laundering activities in the DR.

Financial institutions in the DR engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States. The smuggling of bulk cash by couriers and the use of wire transfer remittances are the primary methods for moving illicit funds from the United States into the Dominican Republic. Once in the DR, currency exchange houses, money remittance companies, real estate and construction companies, and casinos facilitate the laundering of these illicit funds.

Casinos are legal in the DR, and unsupervised gaming activity represents a significant money laundering risk. While the country has passed a law creating an international free trade zone, implementing regulations will not be issued until the law is reformed to avoid perceptions the zone will be left out of the DR's AML regulatory regime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, currency exchange houses, and securities brokers; issuers, sellers, and redeemers of traveler's checks, money orders, or other types of negotiable instruments; credit and debit card companies; remittance companies and offshore financial service providers; casinos; real estate agents; automobile dealerships; insurance companies; and dealers in firearms and precious metals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 8,043: January 1 - October 31, 2015

**Number of CTRs received and time frame:** 644,787: January 1 – October 31, 2015

**STR covered entities:** Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms, and travel agencies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

**Prosecutions:** 12 in 2015

**Convictions:** 5 in 2015

***RECORDS EXCHANGE MECHANISM:***

**With U.S.:** **MLAT:** NO **Other mechanism:** YES

**With other governments/jurisdictions:** YES

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/topics/mutualevaluations/documents/mutualevaluationofthedominicanrepublic.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Following its expulsion from the Egmont Group of FIUs in 2006, the FIU improved its functionality, but it was only in 2014 that the necessary legislative changes were made to eliminate a second FIU-like organization that may bring the legislative framework into compliance with Egmont Group rules. The Dominican Republic officially requested readmission to the Egmont Group in 2015.

The DR does have a mechanism (Law 72-02) for the sharing and requesting of information related to money laundering and terrorism; however, that mechanism is not in force due to the exclusion of the DR from the Egmont Group. The United States and the DR do not have a bilateral mutual legal assistance agreement (MLAT) but do in fact use the MLAT process via multilateral law enforcement conventions to exchange data for judicial proceedings. The process is only used on a case by case basis.

The DR's weak asset forfeiture regime is improving, but does not cover confiscation of instrumentalities intended for use in the commission of money laundering offenses; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR Congress is currently reviewing legislation that would institute non-conviction based asset forfeiture and align the asset forfeiture regime with international standards.

The government should take steps to rectify continuing weaknesses regarding politically exposed persons (PEPs), pass legislation to provide safe harbor protection for suspicious transaction report (STR) filers, and criminalize tipping off. The government should better regulate casinos and non-bank businesses and professions, specifically real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

## France

Due to its sizeable economy, political stability, sophisticated financial system and commercial relations, especially with Francophone countries, France is a venue for money laundering. Public corruption, narcotics and human trafficking, smuggling, and other crimes associated with organized crime are sources of illicit proceeds.

France can designate portions of its customs territory as free trade zones and free warehouses in return for employment commitments. The French Customs Service administers these zones. France has an informal economic sector, and underground remittance and value transfer systems such as hawala are used by immigrant populations accustomed to such systems in their home countries. There is little information on the scale of such activity.

Casinos are regulated. The use of virtual money is growing in France through online gaming and social networks. Sport teams have become another significant source of money laundering.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 38,419 in 2014

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks, credit and money-issuing institutions, e-money institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance intermediaries and dealers, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers,

participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, companies involved in sports betting and horse racing tips, and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 464 in 2014

*Convictions:* 424 in 2013

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:*      *MLAT:* YES      *Other mechanism:* YES

*With other governments/jurisdictions:* YES

France is a member of the FATF. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/france/>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Two months after the January 2015 attacks in Paris against the *Charlie Hebdo* weekly newspaper and a kosher supermarket, the government announced a counter-terror plan that includes eight principal CFT measures divided into three pillars that promote additional AML/CFT countermeasures.

The first pillar focuses on “identification” and aims at reducing anonymity in the economy in order to facilitate the tracking of suspicious transactions. In a decree published in June 2015 (effective September 1, 2015), France lowered the limit on cash transactions to €1,000 (approximately \$1,100) from €3,000 (approximately \$3,300). For non-residents, the limit on cash payments will be lowered from €15,000 (approximately \$16,500) to €10,000 (approximately \$11,000). Acquiring, reloading, and using prepaid cards also will become subject to new reporting requirements. In the first quarter of 2016, an identity document (ID) will be required to buy, use, or reload a prepaid card when the transaction exceeds €250 (approximately \$275). In France, identity cards are not currently verified for non-rechargeable cards of less than €250 (approximately \$275) or for rechargeable cards of up to €2,500 (approximately \$2,750).

The “surveillance” pillar is designed to increase the exercise of due diligence by the financial community. As part of this pillar “Nickel” accounts, low-cost financial accounts that can be opened at tobacco shops, will have to be registered in the centralized national bank account register as of January 1, 2016. There are approximately 80,000 Nickel accounts in France. Additionally, currently it is possible to exchange up to €8,000 (approximately \$8,800) in currency anonymously, but as of January 1, 2016, ID will be required for foreign exchange transactions exceeding €1,000 (approximately \$1,100). Furthermore, financial institutions will have to increase vigilance over “transactions of unusually high sums” by checking the origin of the funds, the recipient’s identity, and the grounds for the transaction. In November 2015, the French banking regulator, the Prudential Control Authority (ACPR) and TracFin, the French financial intelligence unit (FIU), issued new joint guidelines about vigilance and suspicious transaction reporting (STR) obligations. A decree will be enacted on January 1, 2016, requiring

banks to automatically notify TracFin of deposits and/or withdrawals of more than €10,000 (approximately \$11,200) in a month. The current obligation to inform French Customs of the physical transfer of funds to and/or from another EU country by natural persons when the amount exceeds €10,000 (approximately \$11,200) will be extended to apply to freight and express freight in the first quarter of 2016. A pending bill on “Freedom of Creation and Cultural Heritage” would combat illegal trade in cultural products, like antiquities.

The “action” pillar reinforces capacities created to freeze terrorist assets. This pillar expands the government’s ability to freeze the assets of entities or individuals deemed to be engaged in or planning terrorist acts. On November 23, 2015, the Finance Minister said TracFin would be authorized to track suspects’ financial activity in real time. He confirmed that asset freezes will apply to movable and immovable assets, and to social/welfare benefits. The financial market authority will see expanded capacities to sanction inside trading.

COSI, the Systematic Communication of Funds Transfer Information, is a system created to improve financial information available to TracFin from designated professionals and institutions. Effective in January 2016, COSI reporting will apply to transfers of more than €10,000 (approximately \$11,200) in a calendar month. The COSI is different from traditional suspicious transaction reports (STRs) as it cannot be used by TracFin to initiate investigations. It does not exempt institutions from their obligations to submit STRs.

In February 2015, the ACPR updated its guidelines specific to the insurance sector. TracFin continues to examine ways new anonymous electronic payment instruments, gold, and employee meal tickets (restaurant vouchers provided by employers) are used as alternatives to cash. TracFin also continues its focus on tax and social benefits fraud.

The Government of France applies the EU directive by which politically exposed persons (PEPs) from EU states may benefit from simplified vigilance procedures, but only in a limited number of cases. France should review its procedures to ensure all PEPs undergo enhanced due diligence. France should examine AML reporting requirements of company registration agents, real estate agents, jewelers, casinos, and lawyers to ensure they are complying with their obligations under the law.

## Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Germany is a member of the Eurozone, thus making it attractive to organized criminals and tax evaders. Many indicators suggest Germany is susceptible to money laundering and terrorist financing because of its large economy, advanced financial institutions, and strong international linkages. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Germany allows the use of shell companies, trusts, holdings, and foundations that can help obscure the source of assets and cash.

Terrorists have carried out terrorist acts in Germany and in other nations after being based in Germany. Germany is estimated to have a large informal financial sector. Informal value transfer systems, such as hawala, are reportedly used by immigrant populations accustomed to

such systems in their home countries and among refugees paying for their travel to Europe/Germany. There is little official data on the scale of this activity.

Trends in money laundering include a decrease in cases involving financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions. Digital and cybercrime continue to challenge law enforcement. There are increasing cases of tax evasion, transnational collusive agreements and manipulations, and corruption and money laundering involving global financial institutions and corporations. Bulk cash smuggling by organized crime elements is prevalent in Germany, especially illicit drug proceeds arriving in Germany from the Netherlands. The use of cash transactions is high. Free zones exist in Bremerhaven, Cuxhaven, and Hamburg. Unfenced inland ports are located in Deggendorf and Duisburg.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Combination  
*Are legal persons covered:* criminally: NO civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: NO  
*KYC covered entities:* Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust and company service providers; real estate agents; casinos; and persons trading in goods

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 24,054 in 2014  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks, financial services, payment, and e-money institutions and their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers, and tax agents; trust and company service providers; real estate agents; casinos; and persons trading in goods

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 992 in 2013  
*Convictions:* 882 in 2013

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:*      *MLAT:* YES      *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Germany is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/germany/documents/mutualevaluationofgermany.html>

### ***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On June 20, 2015, amendments to the German Criminal Code entered into force to implement UNSCR 2178. The changes supplement prior legislation from 2009 outlawing certain “preparatory terrorist actions” such as attending training camps abroad, categorizing travel and attempted travel as such preparatory actions. They specifically criminalize all forms of terrorism finance, including financing of terrorist travel.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed suspicious transaction reports (STRs). Otherwise, it is an administrative offense that carries a fine of up to €100,000 (approximately \$109,500) under the AML Act. Legal persons are only covered by the Administrative Offenses Act and are not criminally liable under the criminal code. While Germany has no automatic currency transaction report (CTR) requirement, large currency transactions frequently trigger STRs.

Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes. In practice, asset forfeiture is limited in utility as the state holds the burden of proof to prove a tie to a specific and credible illegal act. Germany has time restrictions on how long it can restrain forfeitable assets for foreign proceedings. Such assets generally may be held for one year, but extensions are possible.

In 2015, German bank Commerzbank agreed to pay a \$1.45 billion fine for failing to comply with U.S. sanctions laws and AML regulations. According to the investigation, between April 2006 - January 2010 Commerzbank employees purposely tried to mislead regulators about the identity of Iranian and Sudanese entities related to more than \$253 billion in dollar clearing transactions. In addition, bank employees sought to alter the bank’s transaction monitoring system so it would create fewer ‘red flag’ alerts about potential misconduct.

The government should consider strengthening the provisions on tipping off and the regulations on domestic politically exposed persons (PEPs).

## **Greece**

Greece is a regional financial center for the Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large informal economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings show that Greece is vulnerable to narcotics trafficking, trafficking in

persons, illegal migration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion.

Evidence suggests financial crimes – especially tax related – have increased in recent years. Criminal organizations, some with links to terrorist groups, are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe, the Balkans, Georgia, and Russia are responsible for a large percentage of the crime that generates illicit funds. The imposition of capital controls in June 2015 has limited, but not halted, the widespread use of cash, which facilitates a gray economy as well as tax evasion, although the government is trying to crack down on both trends. The government is working to establish additional legal authorities to combat tax evasion. Due to the large informal economy, it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds.

Greece has three free trade zones (FTZs), located in the Heraklion, Piraeus, and Thessaloniki port areas. Goods of foreign origin may be brought into the FTZs without payment of customs duties or other taxes and remain free of all duties and taxes if subsequently transshipped or re-exported. Similarly, documents pertaining to the receipt, storage, or transfer of goods within the FTZs are free from stamp taxes. The FTZs also may be used for repacking, sorting, and re-labeling operations. Assembly and manufacture of goods are carried out on a small scale in the Thessaloniki Free Zone. These FTZs may pose vulnerabilities for trade-based and other money laundering operations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO

***KYC covered entities:*** Banks; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and

gambling enterprises (including internet casinos); auctioneers, dealers in high-value goods and pawnbrokers; notaries, lawyers, and trust and company service providers

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 5,198: January 1 – November 11, 2015

*Number of CTRs received and time frame:* Not applicable

*STR covered entities:* Banks; credit companies, electronic money institutions, financial leasing and factoring companies; money exchanges and postal companies acting as intermediaries for funds transfers; stock brokers, investment services firms (including portfolio investment and venture capital), and collective and mutual funds; life insurance companies and insurance intermediaries; chartered accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos and gambling enterprises (including internet casinos); auctioneers, dealers in high-value goods and pawnbrokers; notaries, lawyers, and trust and company service providers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 328: January 1 – November 11, 2015

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Greece is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/greece/>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Austerity measures in the budget have affected all government agencies, including the financial intelligence unit (FIU). However, the FIU has limited, yet sufficient financial resources to ensure it is able to fulfill its responsibilities and that its powers are in line with international standards. The agency is currently in the process of upgrading its IT software and hardware. Once Greece transposes into law the EU's new AML directive, the government will be required to take several implementation steps on politically exposed persons (PEPs), the registry of beneficial owners, and the preparation of a National Risk Assessment. It is unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorism financing cases.

Greece has obtained opinions from legal experts who deem it is not possible to implement corporate criminal liability in Greece because it is contrary to fundamental principles of the Greek civil law legal system. Greece has determined this opinion is sufficient and will not take any further action. However, many civil law countries have introduced corporate criminal liability.

Capital controls have not affected the quality of suspicious transactions reports (STRs) banks submit to the FIU. However, capital controls have increased procedural requirements for bank

compliance officers. Greece has not adopted a system for reporting large currency transactions. Greece requires transactions above €1,500 (approximately \$1,650) be executed with credit cards, checks, or cashier's checks, and all business-to-business transactions in excess of €1,500 (approximately \$1,650) be carried out through checks or bank account transfers. All credit and financial institutions, including payment institutions, also must report on a monthly basis all transfers of funds abroad executed by credit card, check, or wire transfer. Transfers in excess of €100,000 (approximately \$110,040) are subject to examination.

Greece should explicitly abolish company-issued bearer shares. It also should continue to deter the smuggling of currency across its borders. The government should ensure companies operating within its FTZs are subject to the same level of enforcement of AML/CFT controls as other sectors. Greece should make legal persons subject to criminal sanctions for money laundering. The government should ensure domestic PEPs are also subject to enhanced due diligence, ensure designated non-financial businesses and professions are adequately supervised and subject to the same reporting requirements as financial institutions, and work to bring charitable and nonprofit organizations under the AML/CFT regime. While the AML/CFT law contains provisions allowing for civil asset forfeiture and the Greek authorities make use of the relevant legislation, Greece should take steps to ensure a more effective confiscation regime. Greece also should develop procedures for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

## **Guatemala**

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States, and for cash returning to South America. Smuggling of synthetic drug precursors is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement agencies and judiciary, coupled with endemic corruption and increasing organized crime activity, contribute to a favorable climate for significant money laundering in Guatemala. However, beginning in April 2015 numerous corruption cases at the highest levels have shed a new light on money laundering, launched new criminal investigations, and forced a sitting president, vice president, and other leading lawmakers to resign and await criminal trials from prison. The scandal known as "La Linea" involved trade-based money laundering and customs fraud; importers paid millions of dollars in bribes to avoid huge customs tax payments.

With the "La Linea" corruption scandal acting as a catalyst, the UN-backed anti-impunity body, the International Commission against Impunity in Guatemala (CICIG), and the Public Ministry turned their attention toward pursuing more regional politicians who have long enjoyed impunity, despite multiple accusations of malfeasance. In a 2015 report, the CICIG asserts that Guatemala's political parties derive half of their financing from corruption or from criminal groups. Politicians create corrupt networks sourcing illicit funds from kickbacks, bogus public works contracts, and occasional alliances with local drug traffickers. Over the last few decades, organized crime groups – particularly those involved with narcotics trafficking – have infiltrated politics through money and violence. Meanwhile, wealthy elites and businesses have privately

financed candidates and political parties to gain access to public resources and pursue special interests. Money collectors the CICIG calls “recaudadores” are responsible for handling dirty money within these networks, in order to influence both local and national politics.

According to law enforcement agencies, narcotics trafficking, corruption, and extortion are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. Money laundering occurs in the real estate sector, ranching, and concert business. Law enforcement agencies report money laundering occurs via groups of air travelers heading to countries, such as Panama, with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and through a large number of small deposits in banks along the Guatemalan border with Mexico. In addition, lax oversight of private international flights originating in Guatemala provides an additional avenue to transport bulk cash shipments directly to South America.

Guatemala’s geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Border Control Agreement among El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband, trafficked persons, and illicit proceeds of crime. As a result of this agreement, Guatemalan customs officials are not requiring travelers crossing their land border to report cash in amounts greater than \$10,000, as required by law.

There is a category of “offshore” banks in Guatemala in which the customers’ money (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank’s head office is based. In 2014, there were six “offshore” entities, with head offices in Panama, the Bahamas, Barbados, and Puerto Rico. These “offshore” banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 17 active free trade zones (FTZs). FTZs are mainly used to import duty-free goods utilized in the manufacturing of products for exportation, and there are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking activity. A significant number of remittances are transferred through money service businesses and may be linked to the trafficking of persons.

Casinos are currently unregulated in Guatemala and a number of casinos, games of chance, and video lotteries operate, both onshore and offshore. Unregulated gaming activity presents a significant money laundering risk.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN***

**THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES****CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civily:* YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks and offshore banks; credit unions; finance, factoring, and leasing companies; bonded warehouses; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents, lawyers, notaries, and other independent legal professionals; and churches that receive funds from the Government of Guatemala

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 1,013: January 1 - October 31, 2015  
*Number of CTRs received and time frame:* 8,194,138: January 1 - September 30, 2015  
*STR covered entities:* Banks and offshore banks; credit unions; bonded warehouses; finance, factoring, and leasing companies; credit card companies, cooperatives, issuers, or payment agents; stock brokers; insurance companies, brokers, and independent agents; Institute of Insured Mortgages; money remitters and exchanges; pawn brokers; public accountants and auditors; raffles and games of chance; nonprofit entities; dealers in precious metals and stones, motor vehicles, and art and antiquities; real estate agents; armoring services and rental of armored vehicles; providers of fiscal domicile and other corporate services

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 41: January 1 – November 13, 2015  
*Convictions:* 41: January 1 – November 13, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Guatemala is a member of both the Caribbean Financial Action Task Force (CFATF) and the Financial Action Task Force of Latin America (GAFILAT), FATF-style regional bodies. Its most recent mutual evaluation can be found at: [https://www.cfatf-gafic.org/index.php?option=com\\_docman&task=cat\\_view&gid=344&Itemid=418&lang=en](https://www.cfatf-gafic.org/index.php?option=com_docman&task=cat_view&gid=344&Itemid=418&lang=en).

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

As a result of the “La Linea” corruption scandal, banks are increasingly facing pressure and fines for failing to complete suspicious transaction reports, in some cases allegedly directly linked to money laundering activities and customs fraud. However, fines for irregular bank activities are

small. Additionally, the Special Verification Agency (IVE), which is the Guatemalan financial intelligence unit, and banks themselves are taking a more careful look at bank transfers. The IVE is also looking into money wiring services for suspicious activities.

Recent multiple arrests for corruption and more aggressive law enforcement appear to be bringing down the levels of illicit cash moving through the international airport in Guatemala City. The recent appointment of a full-time prosecutor assigned to the airport has helped in these efforts. Additionally, there is a special police unit that works at the airport 24/7. There is no indication of terrorist financing activities.

A 2010 regulation establishes limits for cash deposits in foreign currency. According to law enforcement authorities, banks' purchases of foreign currency declined 6.8 percent in 2014 and 6.9 percent during the first nine months of 2015 in relation to the same period in the previous year. Structuring of transactions to avoid cash reporting requirements is not against the law in Guatemala.

Guatemala's AML law does not cover all designated non-financial businesses and professions (DNFBPs) included in international standards, in particular, lawyers. Notaries are covered under the CFT law, but no implementing procedures have been adopted for them. Under the CFT law, STR filing is optional for notaries. Reportedly, covered entities expressed fear that there may be repercussions if they file reports. Tipping off is not criminalized.

Although staffing of the IVE has increased over the last several years, as has the number of filed Suspicious Transaction Reports (STRs), there are still relatively few convictions for money laundering, most of which are for illegal transport of cash. The limited capacity and number of both law enforcement officials and Public Ministry, i.e., the Attorney General's Office (AGO), staff may hamper these authorities from enforcing the law and successfully prosecuting more cases. Furthermore, the AGO has too many cases and no case management system, leading to a lack of prioritization and years-long backlog of cases and seized assets. Currently, \$15.1 million of seized cash sits in a vault at the Public Ministry, related to cases dating back to 2008.

The Government of Guatemala should put into force a gaming law to regulate the industry and reduce money laundering. A draft gaming law has been under consideration by Congress for the last few years. Guatemala should amend its AML/CFT legislation to criminalize structuring of transactions and tipping off, cover all applicable DNFBPs, and protect filers of STRs from liability. The Government of Guatemala should continue its efforts to shed light on entrenched corruption and investigate and prosecute organized criminal groups and others that attempt to exert control over politicians and political parties via tainted funds.

## **Guernsey**

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the UK, it relies on the UK for its defense and international relations. While Alderney and Sark have their own separate parliaments and civil law systems, Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. Guernsey is a financial center, and as such, there is a risk

that proceeds of crime will be invested in or pass through the Bailiwick. In terms of volume, most criminal proceeds arise from foreign predicate offenses; domestic criminal activity, such as drug trafficking, yields the highest overall number of money laundering cases. The principal area of concern or vulnerability remains the risk of abuse of the financial sector to launder the proceeds of overseas criminal activity, primarily financial crimes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO  
***KYC covered entities:*** Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds; safekeeping and portfolio management services; trust and company service providers; lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and e-gaming services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 693 in 2014  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** All businesses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2015  
***Convictions:*** 3 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Through a resolution of the Council of Europe, Guernsey formally participates in the mutual evaluation procedures of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Guernsey\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Guernsey_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Guernsey's comprehensive AML/CFT legal framework provides a basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no weaknesses have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering and the small number of money laundering convictions raise questions concerning the effective application of money laundering provisions.

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances. A formal asset sharing agreement between Guernsey and the U.S. Department of Justice was signed in February 2015.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick in 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to include Guernsey in 2014.

**Guinea-Bissau**

Guinea-Bissau entered its second year of constitutional democratic governance in 2015. After months of simmering political tensions between the president and prime minister, the president dismissed the prime minister in August. The country remained without a government until October, when the president approved a slate of ministers (the majority from the previous government) submitted by the new prime minister. The current Government of Guinea-Bissau has once again committed itself to continue a program of security, judicial, and financial reform and has sought and received assistance from international partners.

Despite these initial efforts on the part of the Bissau-Guinean government, the conditions that led to the labeling of Guinea-Bissau as a "narco-state" persist. The offshore location, lack of government presence, and inability to monitor shipping traffic of the 88 islands that make up the Bijagos Archipelago, combined with a military that is complicit in narcotics trafficking and is largely able to sidestep the authority of the civilian government with impunity, continue to make the country a favorite transshipment center for narcotics. Drug proceeds, often in U.S. dollars, circulate in Guinea-Bissau, albeit outside the formal financial system. Drug barons from Latin America and their collaborators from the region and elsewhere have taken advantage of Guinea-Bissau's extreme poverty, unemployment, history of political instability, lack of effective customs and law enforcement, and general insecurity to transship drugs destined for consumer markets, mainly in Europe. The value of the illicit narcotics trade in Guinea-Bissau, one of the

poorest countries in the world, is much greater than its legitimate national income. Using threats and bribes, drug traffickers have been able to infiltrate state structures and operate with impunity.

The formal financial sector is undeveloped, poorly supervised, and dwarfed by the size of the unregulated economy. The cohesion and effectiveness of the state itself remain very poor, despite the beginning of the new government's efforts to initiate reforms. Corruption is a major concern and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack the basic resources, such as electricity, they require to function. The government generally lacks effective financial management systems.

On May 18, 2012, the UNSC adopted resolution 2048 imposing a travel ban on five Bissau-Guinean military officers in response to their seizure of power from the civilian government in April 2012. On May 31, 2012, the EU followed with a travel ban and freezes on the assets of the military junta members. On April 8, 2010, the United States Department of the Treasury designated two Guinea-Bissau-based individuals, former Bissau-Guinean Navy Chief of Staff José Américo Bubo Na Tchuto and Air Force Chief of Staff Ibraima Papa Camara, as drug kingpins, thereby prohibiting U.S. persons from conducting financial or commercial transactions with those individuals and freezing any assets they may have under U.S. jurisdiction. The U.S. Drug Enforcement Administration arrested Na Tchuto in 2013. Combined with a police history of seizing only modest quantities of drugs in recent years, the arrest of Na Tchuto and the outstanding arrest warrant issued from United States District Court, Southern District of New York against General Antonio Indjai, then Chief of The Guinea-Bissau Armed Forces, underscore the extent of complicity with drug trafficking at the highest levels of government. The September 2014 dismissal of Indjai by President Vaz was a positive indicator of increasing civilian authority over the military that, as noted above, has engaged in high-level drug trafficking activity with impunity. Camara continues as Air Force Chief of Staff and as a key advisor to President Vaz as member of the Council of State.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

**KYC covered entities:** Banks, microfinance institutions, exchange houses, securities broker/dealers and firms, insurance companies, casinos, charities, nongovernmental organizations (NGOs), lawyers, accountants, and notaries

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** Not available

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks; microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, NGOs, lawyers, accountants, notaries, and broker/dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 0

**Convictions:** 0

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** NO **Other mechanism:** NO

**With other governments/jurisdictions:** YES

Guinea-Bissau is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Guinea-Bissau.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Guinea-Bissau is not in full compliance with international standards and accords against money laundering and terrorism financing because of inadequate resources, weak border controls, under-resourced and understaffed police, competing national priorities, and historically low political will. The formal financial sector in Guinea-Bissau is undeveloped and poorly supervised; and the financial intelligence unit (FIU) is only partially functional, owing in part to the lack of resources, analytical staff, and technical equipment, among many other issues.

Guinea-Bissau has yet to criminalize most of the designated predicate offenses and lacks adequate legal provisions for the conduct of customer due diligence procedures. Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could amount to informing the subject of an investigation. In addition, banks are reluctant to file STRs for fear of alerting the subject because of allegedly indiscrete authorities. There is no record of investigations, prosecutions, or convictions for the offense of money laundering. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries may hamper cooperation. Guinea-Bissau has established an inter-ministerial committee to review administrative freezing decisions. Guinea-Bissau has a legal framework for freezing terrorist assets pursuant to

UNSCRs 1267 and 1373, but there appear to be unnecessary delays in the notification and freezing process that should be eliminated.

Guinea-Bissau should domesticate and implement the Anti-Money Laundering Uniform Law, a legislative requirement for members of the West African Economic and Monetary Union (WAEMU) which was adopted in July 2015. Further, Guinea-Bissau should continue to improve the coordination of efforts at the national, sub-regional, regional, and international levels; reform the country's institutions; and conduct further internal investigations to gain an accurate understanding of the scale of the money laundering/terrorist financing threat. Guinea-Bissau should continue to work with its bilateral and regional partners to establish and implement an effective AML/CFT regime, including by criminalizing outstanding predicate offenses to money laundering, criminalizing the provision of funds to an individual terrorist for any purpose, examining the feasibility and usefulness of a currency transaction disclosure system, implementing its regulations on the cross-border movement of cash and bearer negotiable instruments, and developing a national system for the compilation of comprehensive statistics. Guinea-Bissau also should ensure the sectors covered under the AML law have implementing regulations and competent supervisory authorities. It should implement fully its terrorism financing law, recruit technical staff for its FIU, and ensure the FIU's operational independence. It should work to improve the training and capacity of its police, prosecutors, and judiciary to combat crimes. Guinea-Bissau also should undertake efforts to eradicate systemic corruption.

## Haiti

Haitian criminal gangs are engaged in international drug trafficking and other criminal and fraudulent activity, but do not appear to be involved in terrorist financing. While Haiti itself is not a major financial center, regional narcotics and money laundering enterprises utilize Haitian couriers, primarily via maritime routes. Much of the drug trafficking in Haiti, as well as the related money laundering, is connected to the United States. Further, most of the identified money laundering schemes involve significant amounts of U.S. currency held in financial institutions outside of Haiti or non-financial entities in Haiti, such as restaurants and other small businesses. A great majority of property confiscations to date have involved significant drug traffickers convicted in the United States. Illicit proceeds are also generated from corruption, embezzlement of government funds, smuggling, counterfeiting, kidnappings for ransom, illegal emigration and associated activities, and tax fraud.

Foreign currencies comprised 59.77 percent of Haiti's bank deposits in August 2015, according to the Haitian Central Bank, a 2.98 percent increase from a year earlier. The weakness of the Haitian judicial system and prosecutorial mechanism continue to leave the country vulnerable to corruption and money laundering, despite improving financial intelligence and enforcement capacity.

Haiti has two operational free trade zones in Ouanaminthe and Carrefour. There are at least 62 casinos in Haiti, the majority unlicensed. Online gaming is illegal.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: YES civilly: NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: NO Domestic: NO  
*KYC covered entities:* Banks, casinos, securities dealers, insurance companies, notaries and attorneys, dealers in jewelry and precious metals, art dealers, real estate agents, automobile dealers, and money remittance institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 0 in 2015  
*Convictions:* 0 in 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* MLAT: NO *Other mechanism:* NO  
*With other governments/jurisdictions:* YES

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/d-m/haiti>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Haiti continues to take steps, such as training staff and coordinating with the nation’s banks, to implement a new AML/CFT regime based on legislation passed in 2013. Implementation of the law is in its early stages. Similarly, in May 2014, the Executive signed a long-delayed anti-corruption bill. After years of delay, the bill’s passage constitutes a positive step to try to address public corruption. Implementation issues remain. Frequent changes in leadership, fear of reprisal at the working level, rumored intervention from the Executive, and a lack of judicial follow-through (prosecutions) make implementation particularly difficult.

The country’s financial intelligence unit (FIU), the UCREF, has continued to build its internal capabilities and to do effective casework. The UCREF has fifteen open cases but has not forwarded any cases to the judiciary in 2015. Continued issues in the judicial sector mean the UCREF’s progress is not yet reflected in conviction rates. Once a case is received an investigating judge has two months from the arrest date to compile evidence, but there is no limit to the timeframe to schedule court dates, communicate with investigating agencies and prosecutors, and track financial data.

The government remains hampered by ineffective and outdated criminal codes and criminal procedural codes, and by the inability or unwillingness of judges and courts to address cases referred for prosecution. Draft criminal and criminal procedural codes that would address these problems were recently completed by a presidential commission. The codes will be reviewed based on input from judicial authorities throughout Port-au-Prince. The codes must receive the commission's approval before they go to Parliament for approval.

Haiti should adopt the draft criminal and criminal procedural codes to address noted deficiencies. The government should continue to devote resources to building an effective AML/CFT regime, to include continued support to units charged with investigating financial crimes and the development of an information technology system. The 2013 AML/CFT law, despite strengthening the regulatory framework to combat financial crimes, undermines the independence and effectiveness of Haiti's FIU. Haiti also should take steps to establish a program to identify and report the cross-border movement of currency and financial instruments. Casinos and other forms of gaming should be regulated and monitored. The Government of Haiti should take steps to combat pervasive corruption at all levels of Haitian government and commerce.

## Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of December 31, 2014, Hong Kong's stock market was the world's seventh largest, with \$3.9 trillion in market capitalization. Already the world's eighth largest banking center in terms of external transactions and the fifth largest foreign exchange trading center, Hong Kong has continued its expansion as the primary offshore renminbi (RMB) financing center, accumulating the equivalent of over \$158 billion in RMB-denominated deposits at authorized institutions as of September 2015. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls present vulnerabilities for money laundering, including trade-based money laundering and underground finance. Casinos are illegal in Hong Kong. Horse races, a local lottery, and soccer betting are the only legal gaming activities, all under the direction of the Hong Kong Jockey Club (HKJC), a non-profit organization. The HKJC's compliance team collaborates closely with law enforcement to disrupt illegal gambling outlets. Government of Hong Kong officials indicate the primary sources of laundered funds—derived from local and overseas criminal activity—are fraud and financial crimes, illegal gambling, loan sharking, smuggling, and vice. They attribute a relatively low percentage of laundered funds to drug trafficking organizations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* criminally: YES civilly: NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks, securities and insurance entities, money service providers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 30,028: January 1 – September 30, 2015  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* All persons, irrespective of entity or amount of transaction involved

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 194: January 1 - September 30, 2015  
*Convictions:* 99: January 1 - September 30, 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* MLAT: NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Hong Kong is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationofhongkongchina.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Over the last two years, financial regulators, most notably the Hong Kong Monetary Authority, conducted extensive outreach, including at the highest corporate levels, to stress the importance of robust AML controls and highlight potential criminal sanctions implications for failure to fulfill legal obligations under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT, Financial Institutions) Ordinance.

In 2015, there was a U.S. indictment demonstrating how South America’s drug cartels use banks in Hong Kong and mainland China to launder the proceeds of their multibillion-dollar global narcotics trade. The laundering enterprise, led by Colombian nationals and based in Guangzhou, China, laundered more than \$5 billion through bank accounts in China, with some money flowing through Hong Kong, on behalf of drug trafficking organizations to fund purchases of counterfeit goods in China, which were then shipped to Colombia and elsewhere for resale.

The United States and Hong Kong SAR are parties to the Agreement Between the Government of the United States of America and the Government of Hong Kong on Mutual Legal Assistance in Criminal Affairs, which entered into force in 2000. As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. China is responsible for Hong Kong's international affairs and may arrange for its ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

Hong Kong should establish threshold reporting requirements for currency transactions and put in place structuring provisions to counter efforts to evade reporting. As a major trading hub, Hong Kong should closely examine trade-based money laundering. The government should establish a cross-border currency reporting requirement. Hong Kong should also implement a mechanism whereby the government can return funds to identified victims once it confiscates criminally-derived proceeds.

## **India**

India is a regional economic power and financial center with both formal and informal financial systems. India's extensive informal economy and remittance systems, persistent corruption, onerous tax administration, and currency controls contribute to its vulnerability to economic crimes that include fraud, cybercrime, identity theft, money laundering, and terrorism financing. India's porous borders and geographic location between heroin-producing countries in the Golden Triangle of Southeast Asia and Golden Crescent of Central Asia make it a frequent transit point for narcotics trafficking. Proceeds from Indian-based heroin traffickers are widely known to re-enter the country via bank accounts, the hawala system, and money transfer companies.

The high degree of corruption in Indian society generates and conceals illicit proceeds. The most common money laundering methods include opening multiple bank accounts to hide funds, intermingling criminal proceeds with assets of legal origin, purchasing bank checks with cash, and routing funds through complex legal structures. Transnational criminal organizations use offshore corporations and trade-based money laundering (TBML) to disguise the criminal origin of funds, and companies use TBML to evade capital controls. Illicit funds are also sometimes laundered through real estate, educational programs, charities, and election campaigns. Laundered funds are derived from narcotics trafficking, trafficking in persons, and illegal trade, as well as tax avoidance and economic crimes. Counterfeit Indian currency is also a problem, as criminal networks exchange high-quality counterfeit currency for genuine notes.

India remains a target of foreign and domestic terrorist groups. Several indigenous terrorist organizations coexist in various parts of the country; some are linked to external terrorist groups with global ambitions. Terrorist groups often use hawala and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities report they have

seized drugs for sale in India purchased by India-based extremist elements from producers and/or trafficking groups in neighboring countries.

India has licensed seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses. As of March 2015, there were 202 SEZs in operation, and 413 SEZs which have received formal approval but have yet to start operations. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same AML/CFT regulations as the domestic sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers, and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 76,149: July 2014 - April 2015  
***Number of CTRs received and time frame:*** 5,612,751: April 2014 - March 2015  
***STR covered entities:*** Banks, merchant banks, and depositories; insurance companies; housing and non-bank finance companies; casinos; payment system operators, authorized money changers, and remitters; chit fund companies; charitable trusts that include temples, churches, and non-profit organizations; financial intermediaries; stock brokers, sub-brokers, and share transfer agents; trustees, underwriters, portfolio managers, and custodians; investment advisors; foreign institutional investors; credit rating agencies; venture capital funds and collective schemes, including mutual funds; and the post office

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 174: July 2014 - May 2015

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

India is a member of the FATF, as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/d-i/india/>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Although India has taken steps to implement an effective AML/CFT regime, deficiencies remain. While 2012 amendments to the Prevention of Money Laundering Act (PMLA) widen the definition of money laundering, the government has not changed its enforcement model. Observers and law enforcement professionals express concern about effective implementation and enforcement of the current laws, especially with regard to criminal prosecutions. Between July 2014 and April 2015, legal action against properties worth \$769 million were confirmed at the initial level of appellate review. As of November 2014, the government had not won any court cases involving money laundering or confiscations. Law enforcement agencies typically open substantive criminal investigations reactively and seldom initiate proactive analysis and long-term investigations. Reportedly, a predicate offense is usually needed in order for a money laundering investigation to be truly successful, particularly in terms of sentencing. Money laundering investigations without a predicate offense are rarely successfully prosecuted in the Indian judicial system and even if they are, the resulting punishment is often minimal. Furthermore, while India has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side. A positive development is a significant increase in the reporting of suspicious transactions relating specifically to terrorist financing, especially with respect to transactions not involving sanctioned individuals and entities.

In October 2015, India began implementing its controversial Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act in an attempt to fulfill the government's electoral promise to repatriate to India previously undisclosed and non-taxed financial assets. Some tax analysts and members of the business community call the new law draconian, given its potential for 10-year jail terms, hefty financial penalties, and lack of immunity from prosecution. India's tax department has attempted to allay taxpayer fears of harassment and corruption by assigning enforcement responsibilities to senior officers and publicly clarifying the Act's guidelines before any action is taken.

According to Global Financial Integrity, over the last decade India is one of the top four countries worldwide regarding the level of illicit financial outflows primarily based on TBML and abusive trade mis-invoicing.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely at the federal, state, and local levels, and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their Indian counterparts. While intelligence and investigative information supplied by U.S. law enforcement authorities have led to numerous money seizures, a lack of follow-through on investigative leads has prevented a more comprehensive offensive against violators and related groups. In 2015, the U.S. Drug Enforcement Administration worked a joint money laundering investigation with Indian counterparts that resulted in a series of arrests of Indian nationals involved in the laundering of narcotic proceeds derived from international drug trafficking organizations. These individuals had substantial money laundering ties to the United States and are currently pending trial in the Indian judicial system.

Although India is showing increasing capacity with regard to extradition, U.S. requests for extradition continue to be hampered by long delays which make the process of obtaining a fugitive from India slow. As with extradition, India is demonstrating gradually increasing ability to act on mutual legal assistance requests but continues to struggle with institutional challenges which limit their ability to provide assistance.

India should consider the regulation of traditional money or value transfer services and further facilitating the development and expansion of new payment products and services, including mobile banking. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities by shrinking the informal network, particularly in the rural sector.

India should address noted shortcomings in the criminalization of both money laundering and terrorism financing, as well as its domestic framework for confiscation and provisional measures. The government should ensure all relevant designated non-financial businesses and professions comply with AML/CFT regulations. India's current safe harbor provision is too limited and only protects principal officers/compliance officers of institutions who file STRs in good faith. India should extend its safe harbor provision to also cover staff or employees of institutions. The Government of India should seek to use data and analytics to systematically detect trade anomalies that could be indicative of customs fraud, TBML, and perhaps counter-valuation in hawala networks.

## **Indonesia**

Indonesia has a growing formal financial sector with approximately 120 commercial banks. While not a major regional financial center, the country remains vulnerable to money laundering and terrorist financing due to gaps in financial system legislation and regulation, a cash-based economy, weak rule of law, and ineffective law enforcement institutions. Additionally, indigenous terrorist groups, which obtain financial support from both domestic and foreign sources, are present in the country. These include Jemaah Islamiyah (JI), and a loose network of JI spin-off groups, including Jemaah Anshorut Tauhid and others, such as the Eastern Indonesia Mujahedin.

Most money laundering in Indonesia is connected to drug trafficking and other criminal activity such as corruption, tax crimes, illegal logging, wildlife trafficking, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, illegal gambling, and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, made easier by thousands of miles of unpatrolled coastlines, sporadic and lax law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made progress in combating official corruption via its Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

Indonesia first appeared on the FATF Public Statement in February 2012. The FATF removed Indonesia from this statement in February 2015, based on Indonesia's passage of key legislation criminalizing the finance of terrorism, and its implementation of terrorist asset freezing pursuant to UNSCRs 1267 and 1373.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks; finance companies; insurance companies and brokers; pension fund financial institutions; securities companies; investment managers; providers of money remittance; and foreign currency traders

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 52,228: October 1, 2014 - September 30, 2015

***Number of CTRs received and time frame:*** 1,899,334: October 1, 2014 - September 30, 2015

***STR covered entities:*** Banks and finance companies; insurance companies and brokers; pension fund financial institutions; securities companies, investment managers, custodians, and trustees; postal services as providers of fund transfer services; money remitters and foreign currency changers (money traders); providers of payment cards, e-money, and e-wallet services; cooperatives doing business as savings and loans institutions; pawnshops;

commodities futures traders; property companies and real estate agents; car dealers; dealers of precious stones, jewelry, precious metals, art, and antiques; and auction houses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 138: October 1, 2014 - September 30, 2015

***Convictions:*** 65: October 1, 2014 - September 30, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=Indonesia>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In comparison to 2014, in 2015 there was a sizeable increase in the number of suspicious transaction reports (STRs) filed, as well as prosecutions and convictions. In the last year, Indonesia has prosecuted 13 terrorist finance cases and achieved nine convictions.

Indonesia's financial intelligence unit (FIU), known as the PPATK, works closely with the Indonesian central bank to oversee and implement Indonesia's AML regime. Indonesia is in the process of finalizing its National Risk Assessment identifying key money laundering and terrorism finance risks in the country. Indonesia should focus on vulnerabilities in the non-profit sector, particularly monitoring of charitable giving. PPATK has also noted its intent to focus on informal money transfer systems and networks, such as hawala networks and remittances, and to continue its work on other AML/CFT risks it has identified, such as those related to land registry, capital markets, insurance, car dealerships, and beneficial ownership.

In 2015, Indonesia adopted an inter-ministerial joint regulation to further implement asset freezing as required under UNSCRs 1267 and 1373. While Indonesia continues to issue orders to freeze the assets of all UNSCR 1267/1989 sanctioned individuals and entities, it is working to implement an electronic delivery and signature system so that all needed parties can sign off on new UNSCR 1267 list changes within the three working days cited in the joint regulation, and ensure its freezing process is "without delay." In February 2015 the Government of Indonesia authorized the freezing of terrorist-linked bank accounts. PPATK, Bank Indonesia (the central bank), and OJK (the financial services agency) should better define roles and responsibilities in order to better address compliance and asset freezing.

Indonesia should strengthen its cross-border currency reporting requirements by enacting laws to counter money laundering schemes whereby individuals divide large amounts of currency or monetary instruments, with each person or package carrying an amount under the declaration threshold to circumvent reporting requirements. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions. Indonesia should continue to develop investigative resources and intelligence to better combat international organizations engaging in

money laundering and terrorism finance while it struggles to identify and seize proceeds of crime domestically or outside its borders.

## Iran

Iran is not a financial hub, but the imminent lifting of sanctions, including financial sector sanctions, pursuant to the Joint Comprehensive Plan of Action (JCPOA), could expand Iran's regional financial significance, as investors and companies explore opportunities for new deals in Iran. Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, sanctions evasion, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is also a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40 percent of opiates leaving Afghanistan enter or transit Iran for domestic consumption or for consumers in Russia and Europe. Iran's Minister of Interior estimated in February 2015 that the combined value of narcotics trafficking and sales in Iran is worth \$6 billion annually. Narcotics traffickers use illicit proceeds to purchase goods in the domestic Iranian market, often for exportation to and sale in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are a prevalent form of money laundering. Many hawaladars and traditional *bazaari* have ties to the regional hawala hub in Dubai. Around 400,000 Iranians reside in Dubai, with an estimated 50,000 Iranian-owned companies based there. According to media reporting, Iranians have invested billions of dollars in capital in the United Arab Emirates, particularly in Dubai real estate. Money launderers also use Iran's real estate market to hide illicit funds. There is pervasive corruption within Iran's ruling and religious elite, government ministries, and government-controlled business enterprises.

On November 21, 2011, the U.S. Government identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF has repeatedly warned of Iran's failure to address the risks of terrorist financing, urging jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran.

In 1984, the Department of State designated Iran as a State Sponsor of Terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia, such as the Houthi group Ansarallah in Yemen, the Assad regime in Syria, and multiple Shia militia groups in Iraq. Hamas, Lebanese Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran, in part to help coordinate Iranian financing and training.

Following the lifting of sanctions pursuant to JCPOA, Iranian financial institutions are expected to have access to financial messaging services. In recent years, international sanctions had curtailed Iran's ability to send and receive international wires. While nuclear sanctions will be lifted following JCPOA implementation, the United States will continue to enforce sanctions targeting Iran's support for terrorism, destabilizing regional activities, and ballistic missile activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** Not available

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** Not available ***Domestic:*** Not available

***KYC covered entities:*** All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** All legal entities, including the central bank, banks, financial and credit institutions, insurance companies, state regulator and reinsurance provider, the Central Insurance, interest-free funds, charity foundations and institutions, municipalities, notaries, lawyers, auditors, accountants, official experts of the Ministry of Justice, and legal inspectors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO

***With other governments/jurisdictions:*** Not available

Iran is not a member of a FATF-style regional body. In 2014, it applied for observer status in the Eurasian Group (EAG).

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

For nearly two decades the United States has undertaken targeted financial actions against key Iranian financial institutions, entities, and individuals that include legislation and more than a dozen Executive Orders (E.O.s). Noteworthy actions taken against Iran under E.O.s include designating one state-owned Iranian bank (Bank Saderat and its foreign operations), which were

designated for funneling money to terrorist organizations (E.O. 13224); the Qods Force, a branch of Iran's Islamic Revolutionary Guard Corps (IRGC), designated for providing material support to the Taliban, Lebanese Hizballah, and PIJ (E.O. 13224); and the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, designated along with Lebanon- and U.S.-based affiliates (E.O. 13224).

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. Since 2009, the FATF has urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. Most recently, in October 2015, the FATF reiterated its call for countermeasures, urging all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. The FATF, in its October 2015 Public Statement, said it remains concerned about Iran's failure to address the risk of terrorist financing, and the threat this poses to the integrity of the international financial system. The FATF continues to urge Iran to immediately and meaningfully address its AML/CFT deficiencies, in particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

## Iraq

Iraq's economy is primarily cash-based, and its financial sector is severely underdeveloped. Iraq has about 2,000 financial institutions, most of which are currency exchanges and hawaladars. There is approximately one commercial bank branch for every 50,000 people, and ATMs are even less common. U.S. dollars are widely accepted. Due to weak supervision and regulation of banks and other financial institutions, there is little data available on the nature and extent of money laundering in the country. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes. Iraqi law enforcement and bank supervisors do carry out financial investigations and levy regulatory fines, but have poor capabilities to detect and halt illicit financial transactions.

Since June 2014, when Iraq's ongoing conflict with the Islamic State of Iraq and the Levant (ISIL) escalated, it has been more difficult for the Government of Iraq to monitor AML/CFT in areas outside of the central government's control. The Central Bank of Iraq (CBI) has taken a number of steps to cut off financial connectivity to ISIL, including by issuing a national directive to prohibit financial transactions with banks and financial companies located in ISIL-controlled areas and publishing a list of companies prohibited from accessing the U.S. currency auction and have revoked the licenses of others. However, the CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the Government of Iraq during its investigations. To overcome these challenges, the CBI has requested technical assistance from international donors.

Smuggling is endemic, often involving consumer goods, including cigarettes, counterfeit prescription drugs, antiquities, and petroleum products. ISIL has been able to take advantage of insufficient law enforcement capacity to smuggle and illicitly trade crude oil and refined fuels. Bulk cash smuggling is likely common, in part because Iraqi law only allows for the seizure of funds at points of entry, such as border crossings and airports. Trafficking in persons, intellectual property rights violations, and currency counterfeiting also have been reported. Narcotics trafficking occurs on a small scale but it, along with increasing kidnappings for ransom, continues to be a growing concern to Iraqi authorities. Extortion is rampant in ISIL-controlled areas. Corruption is pervasive at the local, provincial, regional, and national government levels and is widely regarded as a cost of doing business in Iraq.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Trade-based money laundering is a significant problem in Iraq and the surrounding region and is linked to underground financial systems such as hawala.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** NO ***Domestic:*** NO  
***KYC covered entities:*** Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, and investment advisers; and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 18 in 2015  
***Number of CTRs received and time frame:*** 11,863 in 2015  
***STR covered entities:*** Banks; managers and distributors of shares of investment funds; life insurance companies; securities dealers; money transmitters, hawaladars, and issuers or

managers of credit cards and traveler's checks; foreign currency exchange houses; asset managers, transfer agents, and investment advisers; and dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation report can be found at: [http://www.menafatf.org/images/UploadFiles/Final\\_Iraq\\_MER\\_En\\_31\\_12.pdf](http://www.menafatf.org/images/UploadFiles/Final_Iraq_MER_En_31_12.pdf)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Iraq's ability to detect and prevent money laundering and other financial crimes is limited by endemic corruption, capacity constraints in public institutions, weak financial controls in the banking sector, and weak links to the international law enforcement community and regional financial intelligence units.

In January 2014, the Government of Iraq started to implement the first phase of a 2010 tariff law that will eventually replace the across-the-board 5 percent tariff rate enacted more than a decade ago, with a much broader scale of some lower, and mostly higher tariff rates. Implementation thus far has been inconsistent and variable. In August 2015, the Prime Minister's Office halted the implementation of phase two after popular protests in Al Basrah Province.

In October 2015, Iraq passed a new AML/CFT law. The new law, while an improvement on the 2004 law, will require extensive implementing regulations to ensure it is compliant with international standards. The CBI is working with international donors to draft the necessary regulations. The new law makes a number of improvements to Iraq's AML/CFT regime. It establishes an AML/CFT Council that will be chaired by the CBI Governor and will include representatives from a number of Iraqi executive bodies. Broadly, its duties will focus on proposing new laws and developing needed AML/CFT regulations; monitoring and reporting on AML/CFT developments in Iraq; and facilitating the exchange of information across regulatory bodies.

A new AML/CFT Office will act as Iraq's financial intelligence unit (FIU), replacing the current Money Laundering Reporting Office (MLRO) at the CBI. The AML/CFT Office will analyze and compile information related to illicit financial flows and will be empowered to suspend transactions for up to one week to help ensure timely action against suspicious activity. Currently, in practice, very few suspicious transaction reports (STRs) are filed. Due to a weak institutional culture and the lack of robust penalties for noncompliance, banks often are unmotivated to file reports and sometimes conduct internal investigations in lieu of filing reports.

A CBI deputy governor will chair a new committee empowered to freeze the funds and assets of individuals designated by UN sanctions. The new law also allows for the seizure of illicit funds. It permits the judiciary to seize ML/FT-related assets at the request of the public prosecutor, the CBI Governor, or the AML/CFT Office. Furthermore, the law sets penalty standards and dictates the scope of punishment for violating AML/CFT provisions. Money laundering will be punishable by up to 15 years in prison and a fine of up to five times the amount of the illicit transaction; terrorism finance will be punishable by up to life in prison.

The 2015 law strengthens supervisory authorities. A number of ministries including the Ministry of Trade and the CBI will be granted powers to develop inspection procedures and standards and to issue guidelines to assist financial institutions with complying with the new regulations. It also increases the obligations of financial institutions. Banks and financial companies will be required to report regularly to the AML/CFT Office and to establish compliance programs to reduce the potential for illicit financial flows. Financial institutions must also follow customer due diligence (CDD) and KYC procedures for opening new accounts. The implementation of the new AML/CFT law should help to increase the regulation and supervision of the financial sector, but the capacity of the regulatory authorities is limited, and enforcement is subject to political constraints. The CBI lacks adequate personnel and technical capacity to fully monitor financial entities operating in Iraq and routinely encounters difficulty engaging other parts of the government during its investigations. Informal money and value transfer systems such as hawala operate outside the scope of CBI control. In practice, despite CDD requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of CDD and other preventive measure requirements varies widely.

Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully investigated and prosecuted. Investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Iraq reportedly has one judge assigned to process all money laundering cases, and that judge does not exclusively focus on money laundering. The new law will likely help empower prosecutions.

Greater overall coordination between the Government of Iraq and the Kurdistan Regional Government is needed to regulate financial transactions, crack down on smuggling networks, and cooperate on AML/CFT efforts. Kurdistan officials report they are abiding by Iraq's AML law, and there are initial efforts underway by the Central Bank of Iraq to increase supervision of the exchange house sector in Kirkuk. Moreover, Kurdish customs requirements are less stringent than Iraq's, which risks enabling the smuggling of illicit and counterfeit goods into Iraq. The Government of Iraq should put in place the necessary regulations to fully implement and enforce its new AML/CFT law. Iraqi authorities should encourage increased reporting by financial institutions through more in-depth onsite supervision as well as an increase in the penalties levied for noncompliance.

## **Isle of Man**

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the UK remains responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government has actively encouraged the diversification of its economy, offering incentives to high-technology companies and financial institutions that locate on the island. Consequently, it now hosts a wide range of sectors including aviation and maritime services, clean-tech and bio-tech, creative industries, e-business and e-gaming, high-tech manufacturing and tourism.

Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Predicate offenses to charge money laundering are minimal within the jurisdiction; however, there is concern over value-added tax crimes and the growing risk of cybercrime in its various forms, including identity theft and internet abuse.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler's checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; portfolio, and asset managers; estate agents; auditors, accountants, tax advisors, lawyers, and notaries; insurance companies and intermediaries; payroll agents; casinos and bookmakers; high-value goods dealers and auctioneers; safe custody facilities for cash or liquid securities

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,321 in 2014  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** All businesses

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 4 in 2014  
***Convictions:*** 3 in 2014

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* MLAT: YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Compliance with international standards was evaluated by the International Monetary Fund's Financial Sector Assessment Program. The report can be found at:

<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

The Isle of Man now formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. MONEYVAL has not yet evaluated the IOM.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2015, the IOM carried out its first AML/CFT national risk assessment with the assistance of an international donor. Isle of Man legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct and to obtain information about that person's financial affairs. There are statutory powers to restrain and recover criminal assets in response to domestic and external requests.

In 2015, the Government of the Isle of Man amended the Proceeds of Crime Act 2008 so it covers bitcoin companies, such as exchanges, operating from the island. The Terrorism and Other Crime (Financial Restrictions) Act 2015 came into effect on January 1, 2015; this Act consolidates, updates, and strengthens previous IOM legislation. The Anti-Money Laundering and Countering the Financing of Terrorism Code 2015, which updates and replaces the 2013 Code, came into effect on April 1, 2015. The Designated Businesses (Registration and Oversight) Act 2015 came into effect on October 26, 2015; the Act provides for designated non-financial businesses and professions to be registered with the IOM's financial services regulator and for there to be appropriate oversight of these bodies for AML/CFT purposes. The IOM's financial services regulator is now the Isle of Man Financial Services Authority following the merger of the Financial Supervision Commission and the Insurance and Pensions Authority on November 1, 2015.

There is limited evidence from suspicious transaction reports (STRs) of suspicion that money from domestic public corruption is being passed through accounts on the IOM. Five of the 1,321 STRs filed in 2014 related to bribery and corruption. The financial intelligence unit believes there are few indications that trade-based money laundering occurs in the IOM.

Recognizing that the nature of tax cooperation has evolved and automatic exchange of information is becoming the global standard, the IOM is making commitments to international co-operation for tax purposes. It has had a Tax Information Exchange Agreement with the United States since 2004 and has a strong working relationship with the Internal Revenue Service. The IOM has a similar intergovernmental agreement with the UK.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM's international affairs and, at IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM in 1993; its ratification of the UN Convention against Corruption was extended to include IOM in 2009; its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM in 2008; and its ratification of the UN Convention against Transnational Organized Crime was extended to the IOM in 2012. In 2003, the United States and the UK agreed to extend to the IOM the U.S. - UK Treaty on Mutual Legal Assistance in Criminal Matters.

## Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and, to an increasing extent, with Asia. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, or EU, often utilize a maze of offshore shell companies and bearer shares to obscure ownership. Israel's illicit drug trade is regionally focused, with Israel being more a market destination for narcotics than a transit country. The majority of money laundered originates from criminal activities abroad, including "carousel fraud," which takes advantage of international value-added tax loopholes. Proceeds from domestic criminal activity also continue to contribute to money laundering activity. Electronic goods; liquor; cigarettes; cell phones; and pharmaceuticals, especially Viagra and Cialis, have all been seized in recent smuggling operations. Officials continue to be concerned about money laundering in the diamond industry, illegal online gaming rings, retail businesses suspected as money laundering enterprises, and public corruption. The government adopted the recommendations of the committee established by the Director General of the Prime Minister's Office to explore the possibility of reducing the overall supply of Israeli currency in circulation, as part of an effort to combat both counterfeiting and money laundering activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: NO

**KYC covered entities:** Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, the Postal Bank, money service businesses (MSBs), dealers in precious stones, lawyers and accountants, and trading floors (foreign exchange dealers)

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 48,116: January 1 – October 25, 2015

**Number of CTRs received and time frame:** 1,271,180: January 1 – October 25, 2015

**STR covered entities:** Banking corporations, credit card companies, trust companies, members of the stock exchange, portfolio managers, insurers and insurance agents, provident funds and the companies who manage them, providers of currency services, MSBs, the Postal Bank, dealers in precious stones, and trading floors

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 121: January 1 – October 31, 2015

**Convictions:** 27: January 1 - October 31, 2015

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Israel is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

MSBs became required to implement customer due diligence (CDD) requirements as of March 30, 2015. As of September 15, 2015, dealers in precious stones became subject to CDD and as of September 15, 2016 will become subject to suspicious transaction reporting (STR) requirements. Lawyers and accountants became subject to CDD requirements as of September 2, 2015. Additionally, on November 4, 2015, the AML/CFT regime was applied to trading floors. While there is no legislative requirement for enhanced due diligence for domestic politically exposed persons (PEPs), banking corporations and the Postal Bank apply such procedures.

On July 27, 2015, the Knesset (parliament) approved in its first reading a bill for the reduction of the use of cash. On August 26, 2015, a governmental draft bill for the supervision of “financial service businesses” was published, establishing a new regulator that will supervise the different financial services provided by MSBs, including non-bank loans.

On October 10, 2015, the Knesset approved in its first reading a bill which lists serious tax crimes as predicate offenses for money laundering. This also will enable dissemination of information from the Israel Money Laundering Prohibition Authority (IMPA), under the Ministry of Justice, to the Israel Tax Authority.

On October 20, 2015, the Minister of Justice authorized for publication a draft bill to amend the Prohibition on Money Laundering Law that includes changes to money laundering offenses regarding property and instrumentalities involved in money laundering and related penalties. The bill also extends the definition of beneficial owners to cover legal persons and to clarify the definition of a controlling person.

Israel's "right of return" citizenship laws mean that criminal figures find it easy to obtain an Israeli passport without meeting long residence requirements. It is not uncommon for criminal figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel.

The Financial Intelligence Unit, under the IMPA, cooperates closely with the two bodies responsible for enforcement: the Israel Tax Authority's Anti-Drug and Money Laundering Unit, and the Israel National Police. Israel cooperates on legal assistance and on extradition requests.

## Italy

Italy's economy is the eighth-largest in the world and the third-largest in the Eurozone. Its financial and industrial sectors are diversified. The proceeds of domestic organized crime groups, especially the Camorra, the 'Ndrangheta, and the Cosa Nostra, compose the main source of laundered funds. Numerous reports by Italian non-governmental organizations identify domestic organized crime as Italy's largest enterprise.

In 2015, the Bank of Italy (BOI) said that suspicious bank transactions increased 10 percent to a record high as the pervasive problems of organized crime, corruption, and tax evasion were exacerbated by a three-year economic slump. The financial downturn has given cash-rich mafia groups the opportunity to tighten their grip on the economy. As banks reduce lending, the criminal networks simultaneously boost their investments into various economic sectors.

Drug trafficking is a primary source of income for Italy's organized crime groups, which benefit from Italy's geographic position and links to foreign criminal organizations in Eastern Europe, China, South America, and Africa. Other major sources of laundered money are proceeds from tax evasion and value-added tax fraud, smuggling and sale of counterfeit goods, extortion, corruption, illegal gambling, and loan sharking. Based on limited evidence, the major sources of money for financing terrorism seem to be narcotics trafficking, petty crime, document counterfeiting, and smuggling and sale of legal and contraband goods. According to the most recent official estimate (2014), the total size of Italy's black market is estimated to be 12.4 percent of GDP (approximately €210 billion or \$229 billion). The actual share may be larger. A sizeable portion of this black market is for smuggled goods, with smuggled tobacco a major component. However, the largest use of the black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorism financing in Italy occur in both the formal and the informal financial systems, as well as offshore.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies and intermediaries; agencies providing tax collection services; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; entities that offer games and betting with cash prizes; and casinos

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 71,758 in 2014  
***Number of CTRs received and time frame:*** 147,242,000: January 1 – June 30, 2014  
***STR covered entities:*** Banks; the post office; electronic money transfer institutions; agents in financial instruments and services; investment firms; asset management companies; insurance companies and intermediaries; agencies providing tax collection services; educational institutions of all levels; companies and state administrations in autonomous regions, provinces, municipalities, mountain communities and their associations; companies and institutions of the national public health system; the metropolitan city administrations; stock brokers; financial intermediaries; lawyers; notaries; accountants; auditors; loan brokers and collection agents; commercial advisors; trusts and company service providers; real estate brokers; entities that transport cash, securities, or valuables; auctioneers and dealers of precious metals, stones, antiques, and art; entities that offer games and betting with cash prizes; and casinos

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available  
***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Italy is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/d-i/italy/documents/mutualevaluationofitaly.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of Italy continues to combat the sources of money laundering and terrorism financing. The current government has undertaken a number of reforms to curb tax evasion and strengthen anti-corruption measures, and the government's fight against organized crime is ongoing.

The Ministry of Economy and Finance is host to the Financial Security Directorate which establishes policy regarding financial transactions and AML efforts. The directorate published Italy's National Terrorist Financing Risk Assessment in July 2014.

Law no. 186, criminalizing self-money laundering, was added to the Italian Penal Code and became effective on January 1, 2015. This new law defines self-money laundering as an operation aimed to conceal the illegal origin of the money, carried out by the same person who committed or participated in the predicate offense, and applies to "any person who having committed or participated in committing an intentional crime, employs, replaces, moves, within economic, financial, business or speculative assets, the money or others profits deriving from the commission of such crimes(s), in a way such to concretely hinder the identification of the criminal origin."

The BOI continues to issue guidance on customer due diligence (CDD) measures, in order to support banks and financial intermediaries in the definition of their CDD policies in accordance with the risk-based approach. As of January 2014, regulations require the application of enhanced CDD measures for domestic politically exposed persons (PEPs), however, the obligation to identify domestic PEPs only applies to the financial sector.

The UIF, the financial intelligence unit, has worked to increase the number of suspicious transaction reports (STRs) filed by designated non-financial businesses and professions (DNFBPs), especially the public administration sector. These entities' reports continue to make up only a small portion of submitted STRs, filing only around 1,000 in 2014. Italy has seen some progress in DNFBP participation, particularly from professionals, especially notaries. This is likely a direct result of action by the National Council of Notaries which, in cooperation with the UIF, published a set of STR guidelines for its members in 2015. Italy plans to continue to implement measures that will significantly increase the number of STRs from DNFBPs, particularly in the field of public administration.

In September 2014 the National Anticorruption Authority (ANAC) published a Memorandum of Understanding signed with the Guardia di Finanza (financial police) to increase transparency in public administration reporting. ANAC will send written requests to the Guardia di Finanza indicating the transactions that merit specific attention. The MOU also provides for additional review by the Society for Information and Communication Technology (SOGEI) under the Ministry of Economy and Finance. SOGEI reports to ANAC and Guardia di Finanza with its evaluations. All three parties agree to publish the results of this initiative through press releases or placement on their own, publically accessible, websites. On September 25, 2015 the Ministry of Interior released a decree clarifying the reporting responsibilities of the public administration

sector to block money laundering and terrorist financing activities. It lays out the specific indicators of suspicious activity and the methods for filing a STR.

After a multi-year investigation, in 2015 Italian prosecutors announced they are seeking prosecution of hundreds of Chinese migrants, as well as the Bank of China's Milan branch, in connection with a €4.5 billion (approximately \$4.9 billion) money laundering investigation. The massive amount of money was transferred from Italy to China via smuggling, bank transfers, and money remitting services. The money was reportedly earned through the counterfeiting of goods, prostitution, tax evasion, and labor exploitation. A judge is scheduled to rule on the indictment in March 2016.

In 2015, the Italian Polizia di Stato (national police), a civilian police force responsible for investigating crimes under the jurisdiction of the Ministry of Interior, including narcotics trafficking and money laundering, and the Guardia di Finanza (financial police), the primary Italian law enforcement agency responsible for combating financial crime and smuggling, cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy-related crimes, and terrorism financing. Italy has one terrorism case involving five individuals convicted for terrorism, where one of the individual was also convicted for terrorist financing.

## Japan

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japanese organized crime groups (the Yakuza), Mexican drug trafficking organizations, and other domestic and international criminal elements. In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who reside in Japan. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scribes; certified administrative procedures specialists; accountants; certified public tax accountants; and trust companies

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 377,513 in 2014

*Number of CTRs received and time frame:* 1,001 in 2014

*STR covered entities:* Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Japan is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: <http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20Japan%20full.pdf>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation to address recognized deficiencies in its compliance regime. The legislation – two bills that amend Japan’s Terrorism Financing Act and its Law on the Prevention of the Transfer of Criminal Proceeds, and one that establishes a new Law to Freeze Terrorist Assets – criminalize the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; enable the freezing of terrorist assets without delay, including non-financial holdings; and require financial and non-financial sectors to implement processes and procedures to perform enhanced customer due diligence. The amendment to the Terrorism Financing Act entered into force in December 2014. Japan promulgated Cabinet orders and Ministerial ordinances pertaining to the remaining legislation during 2015; the Law to Freeze Terrorist Assets came into effect on October 5, 2015 and the amendment to the Law on the Prevention of the Transfer of Criminal Proceeds will become effective on October 1, 2016. The passage of this

legislation greatly improved Japan's AML/CFT regime, which had previously been notably deficient.

Japan's numbers of investigations, prosecutions, and convictions for money laundering are not available; in relation to the number of drug and other predicate offenses, they are typically low. These numbers are some of the most telling measures of effectiveness of a country's AML/CFT regime. The NPA provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The number of currency transaction reports (CTRs) filed is very low in comparison to the number of suspicious transaction reports (STRs).

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

## Jersey

Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a self-governing British Crown Dependency with its own parliament, government, legal system, and jurisprudence. The UK is responsible for Jersey's defense and international representation, while the island has autonomy in relation to its domestic affairs, including taxation and the regulation of its financial services sector.

The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey authorities continue to indicate concern regarding the incidence of domestic drug-related crimes. The customs and law enforcement authorities devote considerable resources to countering these crimes. A large proportion of suspicious activity reporting is tax-related. In January 2015, Jersey published a typologies report outlining laundering methods and techniques of concern including tax evasion, corruption, laundering the proceeds of corruption with the involvement of politically exposed persons (PEPs), the use of money service businesses, and the use of pre-paid cards. Island authorities have undertaken successful measures, as recent high profile cases have shown, to protect the financial services industry against the laundering of the proceeds of foreign political corruption. Jersey requires beneficial ownership information to be obtained and held by its regulated trust and company service providers and by its company registrar in a central registry, which can be accessed by law enforcement and tax authorities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** NO  
***KYC covered entities:*** Banks; life insurance companies; collective investment schemes and operators; trust and company service providers; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler’s checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,979: January 1 - November 13, 2015

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks; life insurance companies; collective investment schemes and operators; trust and company service providers; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, traveler’s checks, money orders, and electronic money; securities brokers, dealers, advisers, and managers; safekeeping, trust, fund, and portfolio managers; collective investment schemes and operators; insurance companies and brokers; casinos; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers, and legal professionals

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 3 in 2015

***Convictions:*** 1 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Through a resolution of the Council of Europe, Jersey formally participates in the mutual evaluation procedures of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. In lieu of a mutual evaluation, a report was prepared by the IMF’s Financial Sector Assessment Program. The report can be found at: <http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Jersey is a customary law jurisdiction. Accordingly, the jurisdiction does not have a criminal/penal code.

According to the Proceeds of Crime (Jersey) Law 1999 and the Terrorism (Jersey) Law 2002, (both as amended in 2014), it is necessary to have a conviction in order to obtain a confiscation order for the proceeds of crime, but it is not necessary that a person be convicted of the predicate offense upon which the criminal charge of money laundering is brought. Predicate offenses are all crimes with a punishment of imprisonment of one year or more.

Jersey does not enter into bilateral mutual legal assistance treaties. The Investigation of Fraud (Jersey) Law 1991 provides powers for the Attorney General (AG) to investigate a suspected offense of serious or complex fraud, wherever it is committed. The Criminal Justice (International Co-operation) Law 2001 provides a mechanism for jurisdictions to request assistance from the AG to obtain evidence for use in an overseas court in criminal proceedings. The Government of Jersey reports the AG frequently assists other jurisdictions in this regard. In 2015, the guidelines, which stipulated a minimum threshold requirement of £2 million (approximately \$2.8 million) in relation to mutual legal assistance, were abolished in order to encourage foreign jurisdictions to make assistance requests. An asset sharing agreement between the United States and Jersey regarding the sharing of confiscated or forfeited assets or their equivalent funds came into force in April 2015.

A number of changes in policy, law, and implementation of regulations have come into force in 2015. The definitions of “property” in the Proceeds of Crime Law and Terrorism Law have been extended to adhere to international standards; provisions of the Terrorist Asset-Freezing (Jersey) Law 2011 now automatically extend to natural or legal persons, groups, or entities pursuant to UNSCRs 1267 and 1988; and the definition of funds subject to freezing now explicitly covers assets “jointly” or “indirectly” owned, held, or controlled by designated persons. The effect of these changes is to give immediate legal effect in Jersey to UN designations.

The Proceeds of Crime (Financial Intelligence) (Jersey) Regulations 2015 formally establishes in the Proceeds of Crime Law the Joint Financial Crimes Unit of the States of Jersey Police (JFCU) as Jersey’s financial intelligence unit. The JFCU has existed for some time but this legislation formalizes its existence and powers in legislation. The JFCU now also has the power to gather additional information from financial institutions and designated non-financial businesses and professions (DNFBPs) in circumstances where the JFCU has reasonable knowledge or belief that they hold information relevant to the analysis of intelligence it holds. Jersey’s authorities are consulting on a change to customer due diligence (CDD) requirements that would strengthen due diligence obligations for foundations.

The Money Laundering (Jersey) Order 2008 has been amended to further clarify the application of identification measures to trusts and to require policies and procedures to be maintained for determining whether a business relationship or transaction is with persons connected to an organization subject to sanctions or persons who are themselves subject to sanctions.

Jersey's authorities announced plans to regulate and supervise the activity of virtual currency exchanges beginning in 2016. The proposals will cover those persons who exchange fiat currency into a virtual currency (and vice versa) by way of business.

In 2015, the Jersey Financial Services Commission substantially revised AML/CFT handbooks for financial institutions and DNFBPs, the accounting and legal sectors, real estate agents, and high-value dealers. In particular, guidance provided on identification of beneficial owners and controllers is addressed. Also in 2015 the Commission was given authority to impose financial penalties on regulated businesses of up to £4 million (approximately \$4.3 million) for significant and material breaches of the Codes of Practice, including contraventions of the AML/CFT Handbook for financial institutions and DNFBPs.

Jersey, not being a sovereign state, cannot sign or ratify international agreements in its own right unless entrusted to do so by Letters of Entrustment provided by the UK government, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the UK's ratification of any international instrument to be extended to Jersey. Jersey is seeking to obtain an Entrustment from the UK Government to enter into any MLAT that may be necessary. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in 2008. The UK extended its ratification of the UN Convention against Transnational Organized Crime to include Jersey on December 17, 2014. On January 28, 2015, the United States and the Bailiwick of Jersey entered into an Agreement Regarding the Sharing of Confiscated or Forfeited Assets or Their Equivalent Funds, which went into effect on April 24, 2015.

There is no requirement to automatically apply enhanced CDD measures to a domestic politically exposed person (PEP). Instead, a covered entity must take the status of an individual who has been entrusted with a prominent public function in Jersey (or who is an immediate family member or close associate of such an individual) into account in its risk assessment of such individuals. Jersey should ensure identified domestic PEPs are subject to enhanced due diligence requirements in accordance with international recommendations.

## **Kenya**

Kenya remains vulnerable to money laundering and financial fraud. It is the financial hub of East Africa, and its banking and financial sectors are growing in sophistication. Furthermore, Kenya is at the forefront of mobile banking. Money laundering and terrorism financing occur in the formal and informal sectors and derive from both domestic and foreign criminal operations. Criminal activities include transnational organized crime, cybercrime, corruption, smuggling, trade invoice manipulation, illicit trade in drugs and counterfeit goods, trade in illegal timber and charcoal, and wildlife trafficking.

Kenya's financial sector supports 43 licensed commercial banks, many with branches throughout East Africa; 12 deposit-taking microfinance institutions, with 99 branches; 85 licensed foreign exchange bureaus, with Nairobi hosting 69 bureaus and Mombasa nine; one mortgage finance company; and 15 licensed money remittance providers, all located in Nairobi. There are three licensed credit reference bureaus and seven representative offices of foreign banks in Kenya. In 2014, Kenya's \$58 billion in bank assets roughly equaled Kenya's nominal GDP and represented 61 percent of the total bank assets in East Africa.

Although banks, wire services, and mobile payment and banking systems are available to increasingly large numbers of Kenyans, there are also thriving unregulated networks of hawaladars and other unlicensed remittance systems that lack transparency and facilitate cash-based, unreported transfers that the Government of Kenya cannot track. Foreign nationals, including refugee populations, as well as ethnic Somali residents (both foreign nationals and Kenyan citizens) primarily use the hawala system to send and receive remittances internationally. Diaspora remittances to Kenya are growing annually, contributing significantly to the country's foreign exchange inflows. In 2014, remittances to Kenya totaled \$1.42 billion, and were at \$1.4 billion between January and September 2015, with North America providing between 45-50 percent of all of these remittances and Europe and the rest of the world accounting for approximately 25 percent each. The 12-month cumulative remittance inflow through September 2015 increased by 7.7 percent over the previous comparable period (up from \$1.4 billion to \$1.5 billion).

The Communications Authority of Kenya (CAK) reports that mobile phones have 74 percent total market penetration, with about 36 million mobile phone subscriptions in a population of approximately 45 million. Safaricom controls 67 percent of the mobile phone subscription market. The CAK also reports there are about 30 million internet users, which implies that 68 percent of the population has access to the internet. There are about 130,000 mobile-money agents in Kenya, most working through Safaricom's M-PESA system. There are over 10 million M-Shwari accounts, Safaricom's online banking service. One-third of all active M-PESA users are also active M-Shwari customers and 54 percent of M-Shwari accounts were held by customers without any other bank account.

Kenya is a transit point for international drug traffickers and trade-based money laundering continues to be a problem. There is a black market for smuggled and grey market goods in Kenya, which serves as a major transit country for Uganda, Somalia, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, and South Sudan. Goods marked for transit to these countries are not subject to Kenyan customs duties, but Kenyan authorities acknowledge that many such goods end up being sold in Kenya. Trade in goods is often used to provide counter-valuation in regional hawala networks.

Kenya's proximity to Somalia makes it an attractive location for the laundering of certain piracy-related proceeds and a financial facilitation hub for the Somalia-based al-Shabaab, a UN- and U.S.-designated foreign terrorist organization.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 534: January – October, 2015

***Number of CTRs received and time frame:*** 2,504: January – October, 2015

***STR covered entities:*** Banks and institutions accepting deposits from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler’s checks, money orders, banker’s drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; securities underwriters and intermediaries; portfolio managers and custodians; life insurance and other investment-related insurance underwriters and intermediaries; casinos; real estate agencies; accountants; and dealers in precious metals and stones

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2 in 2015

***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation report can be found at: [http://www.esaamlg.org/reports/view\\_me.php?id=228](http://www.esaamlg.org/reports/view_me.php?id=228)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), as amended, provides a comprehensive framework to address AML issues and contains appropriate sanctions. The Central Bank of Kenya (CBK) licenses money remittance providers. Kenya's National Payment System Act provides regulation over mobile money and is another important component of Kenya's move toward financial integrity and security.

Of the 876 suspicious transaction reports (STRs) submitted to the Financial Reporting Centre (FRC), Kenya's financial intelligence unit, since its inception in 2012, 254 have been disseminated to law enforcement agencies for further investigation and possible prosecution. The FRC's analytical ability and efficiency would improve with an automated system to aid in the analysis. Although the FRC receives STRs from some money and value transfer services, this sector is more challenging to supervise for AML/CFT compliance.

All cell phone devices and all mobile-money accounts must be registered, with proper identification. While mobile payment and banking systems are increasingly important, the tracking and investigation of suspicious transactions remains difficult. There is a risk that illicit actors could use mobile payment systems to engage in structuring, particularly by using illicit funds to purchase mobile credits below reporting thresholds. Nevertheless, data on these transactions have the potential to facilitate investigations and tracking, especially compared to transactions executed in cash. The lack of rigorous enforcement in this sector, coupled with inadequate reporting from certain reporting entities, increases the risk of abuse.

In order to demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court order. The confidentiality of this process is not well maintained, which allows account holders to sometimes be tipped off, providing an opportunity to move their assets or contest the orders.

Kenya is overhauling its criminal justice system. The small number of AML prosecutions and the absence of convictions are telling. The Office of the Director of Public Prosecutions (ODPP) has significantly expanded since 2013 and now has approximately 700 prosecutors, with plans to expand to 900. The Department of Economic International and Emerging Crimes (DEIEC), one of four departments within the ODPP, is responsible for the prosecution of corruption and economic crime, cybercrime, narcotics, organized crime, money laundering, terrorist financing, piracy, and other terrorism-related cases. The AML/CFT division, a thematic subdivision formed in July 2014, specifically deals with money laundering and terrorism financing offenses. The AML/CFT division is made up of 18 Prosecution Counsels from the Nairobi office, complemented by eight Prosecution Counsels from county offices. The ODPP has used ancillary provisions in the POCAMLA to apply for orders to restrain, preserve and seize proceeds of crime in Nairobi. In 2015, the ODPP filed a money laundering case and arrest warrants against the top

management of Dubai bank. For the first time, in 2015 the ODPP used the POCAMLA to freeze the assets of nine ivory trafficking suspects.

The 2013 Westgate Mall attack, which resulted in the first cases being filed under Kenya's Prevention of Terrorism Act, demonstrates the critical importance of first responders, regulators, law enforcement, and prosecutors continuing to develop their expertise to investigate and charge high-impact cases, including terrorism financing and money laundering offenses, and to pursue related asset recovery. Kenya passed the Finance Act of 2015, which includes amendments to the POCAMLA to expand the mandate of the FRC to combat the financing of terrorism.

In July 2015, the Government of the Republic of Kenya made commitments to promote good governance and anti-corruption efforts, including strengthening its AML/CFT regime. The Government of Kenya committed to work toward membership in the Egmont Group of Financial Intelligence Units. Additionally, Kenya agreed to work with international donors to conduct a full risk assessment for money laundering and terrorism finance and to work with development partners to facilitate the full implementation of its AML rules and regulations. Kenya also agreed to accelerate its work to strengthen the capacity of the FRC and CBK to track illicit financial flows and to increase bilateral information sharing and enforcement efforts.

The government, and especially the police, should allocate appropriate resources and build sufficient institutional capacity and investigative skill to conduct complex financial investigations independently. Kenya should also address the bureaucratic and other impediments preventing it from pursuing investigation and prosecution of these crimes. The Government of Kenya should fulfill its commitments on good governance, anti-corruption efforts, and improvements to its AML/CFT regime.

## **Latvia**

Latvia is a regional financial center with a large number of commercial banks and a sizeable non-resident deposit base. Foreign depositors account for more than half of the 30 billion euros (approximately \$33 billion) in Latvia's banking system, which markets itself as a gateway to the European Union. Nonresident cash continues to flow across the border from neighboring Russia and other former Soviet states. The Financial and Capital Market Commission (FCMC) stated in May 2015 that the growth of nonresident deposits from Russia has remained steady despite international sanctions imposed in the spring of 2014. Nonresident deposits pose a substantial risk in that money obtained from corruption and other crimes committed outside of Latvia can be laundered inside the country. Latvia's geographic location, large untaxed shadow economy (estimated at about 25 percent of the overall economy), and public corruption make it challenging to combat money laundering.

Officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia. Authorities identify the primary sources of money laundered in Latvia as tax evasion; organized criminal activities, such as prostitution and fraud perpetrated by Russian and Latvian groups; and other forms of financial fraud. Officials also report that questionable transactions and the overall value of laundered money have remained below pre-financial crisis levels.

Latvian regulatory agencies monitor financial transactions to identify instances of terrorism financing.

There is a black market for smuggled goods, primarily cigarettes, alcohol, and gasoline; however, contraband smuggling does not generate significant funds that are laundered through the official financial system.

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: NO  
*KYC covered entities:* Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers, money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gaming activities; persons providing money collection services; EU-owned entities; and any high-value goods merchant, intermediary, or service provider

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 6,923: January 1 - November 1, 2015  
*Number of CTRs received and time frame:* 6,134: January 1 - November 1, 2015  
*STR covered entities:* Banks, credit institutions, life insurance companies, and intermediaries; private pension fund administrators, investment brokerage firms, and management companies; currency exchange offices, payment service providers, money transmission or remittance offices, and e-money institutions; tax advisors, external accountants, and auditors; notaries, lawyers, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or

other gaming activities; persons providing money collection services; any high-value goods merchant, intermediary, or service provider; and public institutions

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 27: January 1 - November 1, 2015

***Convictions:*** 14: January 1 - November 1, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Latvia is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

[http://www.coe.int/t/dgh/monitoring/moneyval/Countries/Latvia\\_en.asp](http://www.coe.int/t/dgh/monitoring/moneyval/Countries/Latvia_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On June 30, 2015, several amendments were made to the Law on the Prevention of Money Laundering and Terrorism Financing. The amendments empower credit institutions to inform Latvia's Financial Intelligence Unit (FIU) of any suspicious transactions involving accounts closed by their clients, and more clearly define the institutions from which the FIU is permitted to request and receive information. The amendments also require these institutions to provide information on international passengers, airports, and aero-navigation service owners and related officials where money laundering, terrorism financing, or threats to national security are suspected.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures, but domestic PEPs are not. The FCMC reports it is developing enhanced due diligence regulations as well as language for draft legislation that would ultimately extend existing PEP rules to cover domestic PEPs.

The 27 cases prosecuted in the first 11 months of 2015 involved 84 individuals. During 2015, Latvian authorities took additional actions against high-level government officials and appointees. In August, the Bureau to Prevent and Combat Corruption (KNAB) detained the CEO of state-owned Latvian Railways for two months for allegedly accepting a 500,000 euro (approximately \$546,000) bribe. The CEO posted bail and was freed, pending trial. In November, the Prosecutor's Office opened a criminal case against the Riga Freeport CEO and his deputy, who are suspected of using their official positions for private gain. The Riga Freeport Board declined to remove the two officials while proceedings are ongoing. Both cases are pending. In December 2015, the FCMC announced a 2.0 million euro (approximately \$2.2 million) fine – its largest ever – against the Latvian branch of Ukrainian-owned PrivatBank and ordered the bank to fire its board for its role in handling cash from an alleged multi-billion euro fraud in Moldova. Also that month, the Latvian State Police arrested and searched the offices of two Trasta Komercbanka employees suspected of criminal involvement in money laundering.

By late December, Latvian media had reported both a pre-trial investigation and an FCMC probe of the bank's internal control system were underway.

In October 2015, the Organization of Economic Cooperation and Development's Anti-Bribery Working Group released a report expressing concern about Latvian enforcement capacity and efforts to combat corruption and money laundering. It raises "serious concerns" about KNAB's effectiveness, ongoing conflicts among personnel, and insulation from potential political interference that have overshadowed KNAB's investigative efforts. The report further highlights the risks to Latvia's banking system of money laundering by non-resident clients, FCMC's failure to detect large-scale transfers subsequently reported in the media, and the low number of money laundering investigations and resulting convictions. The report recommends Latvia make further legislative amendments in the areas of foreign bribery, extradition, corporate liability, and external auditor reporting. It also urges FCMC to require banks that take nonresident deposits to adopt stronger AML measures, to inspect banks more frequently, and to punish banks that violate the law.

While Latvia has taken steps to implement anti-corruption and AML/CFT legislation, enforcement must be strengthened. Latvian banks continue to invest substantially in IT systems to develop programs for identifying high-risk clients. However, they should enforce a higher standard of due diligence and KYC best practices. The FCMC should inspect banks more regularly, investigate alleged malfeasance more aggressively, and impose penalties where appropriate, while continuing efforts to increase its human and financial resources, specifically for AML purposes. The government also should devote appropriate resources to its AML and anti-corruption programs and take steps to correct noted deficiencies.

## **Lebanon**

Lebanon is a financial hub for banking activities in the Middle East and Eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces money laundering and terrorism financing challenges. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, pirated software, CDs, and DVDs. Nevertheless, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds. Lebanon has a substantial influx of both formal and informal remittances from expatriate workers and family members, estimated by the World Bank at approximately \$7.5 billion annually over the last six years. Recent statistics demonstrate that embezzlement of private funds operations, which includes cybercrime money laundering, increased in 2015.

A number of exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah, which the United States has designated as a terrorist organization, though the Government of Lebanon does not recognize this designation. Lebanese expatriates in Africa, the Gulf, and South America have established financial systems outside the formal financial sector, and some are reportedly involved in trade-based money laundering (TBML) schemes. International trade is also used to provide counter-valuation between Lebanese hawaladars.

The use of bitcoins is prohibited in Lebanon. Although offshore banking and trust and insurance companies are not permitted in Lebanon, the government has enacted regulations regarding the activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: NO  
*KYC covered entities:* Banks, financial and lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, high-value goods merchants, and money remitters

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 189: January 1 – October 31, 2015  
*Number of CTRs received and time frame:* 55: January 1 – October 31, 2015  
*STR covered entities:* Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sales companies, casinos, money remitters, auditors appointed at financial institutions, high-value goods merchants, public notaries, attorneys, and accounts

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 12: January - October, 2015  
*Convictions:* 0

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* MLAT: NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

On November 13, 2015, Parliament endorsed laws intended to strengthen Lebanon's AML/CFT regime. These include amendments to the existing AML law (Law 318/2001) to further widen categories of reporting entities to include public notaries, attorneys, and accountants. The list of predicate offenses to charge money laundering has also been increased. Legislation now allows confiscation of assets and sharing of confiscated assets with concerned countries. New Law 42/215, Declaring the Cross-Border Transportation of Money, imposes requirements to declare both inbound and outbound cash transportation of amounts exceeding \$15,000 or its equivalent in any other currency. This is applicable to any means of transporting the currency, whether on your person, in a suitcase, by post, or any means of shipment. There also is a new law on the exchange of tax information (Law 43/2015), which authorizes the Ministry of Finance to join bilateral and multilateral agreements to exchange information related to tax evasion and tax fraud.

The Special Investigation Commission (SIC), Lebanon's financial intelligence unit, publishes annual statistics on money laundering, breaking them down by type of offense. Lebanon's Internal Security Forces (ISF) Cybercrime and Intellectual Property Unit tracked 76 cases of hackers located in Lebanon and abroad who embezzled funds from local depositors and transferred the funds to bank accounts located outside Lebanon.

On June 30, 2015, the Banque du Liban, the Central Bank, issued Intermediate Circular No. 393, amending Basic Circular No. 69, strengthening AML/CFT controls on money remitters. The Banque du Liban also has issued regulations to regulate exchange houses.

The SIC has confirmed reports suggesting local commercial banks and financial institutions have implemented regulatory measures, including enhanced due diligence regarding high risk customers and/or closure of accounts that represent unacceptable risks. As a result there are no longer currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, currency derived from illegal drug sales in the U.S., or illegal drug sales that otherwise significantly affect the U.S.

Despite no requirement to file currency transaction reports (CTRs) with the SIC, 55 such reports were filed voluntarily between January and October 2015.

The SIC froze a number of accounts on suspicion of money laundering; however, the SIC does not publicly disclose figures of total amounts frozen. Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has increased steadily over the years, convictions are still lacking. The U.S. Department of Justice has six pending legal assistance requests with the Government of Lebanon. Lebanon has been slow to react to the requests.

The Lebanese Customs Authority must inform the SIC of suspected TBML or terrorist financing; however, alleged high levels of corruption within Customs make this problematic. Lebanon is a participant country of the Kimberley Process, and trade in rough diamonds is governed by law

number 645. However, there have been persistent reports of smuggling and the mis-invoicing and mis-classification of diamonds. Another unaddressed vulnerability is the trading of bearer shares of unlisted companies.

In the first 10 months of 2015, the SIC sent 25 referrals to the Office of the Prosecutor General. The ISF also received 48 allegations of money laundering from Interpol and arrested three persons. The ISF sent five suspected money laundering cases to the SIC for investigation. Lebanese law enforcement entities often do not coordinate activities. The government has started training joint task forces including members of relevant agencies, such as Customs, the ISF, the SIC, and the judiciary. Cooperation between the SIC and local enforcement authorities, especially in terrorism financing cases, has increased; several training initiatives were undertaken in 2015 to enhance such cooperation. Lebanon could also benefit from increased cooperation among local and international law enforcement organizations to combat money laundering and terrorism financing.

Individuals in Lebanon are engaged in TBML by utilizing vehicles as the commodity to legitimize drug proceeds linked to Hizballah. U.S. law enforcement identified money wires coming into the United States from Jordanian and Lebanese entities to various domestic vehicle dealerships. These funds are used to purchase vehicles subsequently exported to Lebanon and Jordan. In some instances, there are weapons secreted within the exported vehicles. The transactions that occur in the United States appear to be legitimate, but the ultimate destination of the vehicles is unknown and the proceeds may be directed back to Hizballah in Lebanon.

Lebanon should strengthen its overall efforts to disrupt and dismantle money laundering and terrorist financing activities, including those carried out by Hizballah. Lebanon should enforce its new cross-border currency reporting requirements, fully implement its new laws and directives, and take action to immobilize bearer shares. The government should continue its efforts to achieve better coordination and efficiency in the investigation of complex financial crimes by its various law enforcement and investigative agencies.

## Liechtenstein

The Principality of Liechtenstein is the richest country on earth on a GDP per capita basis. It has a well-developed offshore financial services sector, relatively low tax rates, liberal incorporation and corporate governance rules, and a tradition of bank secrecy. All of these conditions contribute significantly to the ability of financial intermediaries in Liechtenstein to attract funds from abroad. Liechtenstein's financial services sector includes 16 banks, 117 fund/asset management companies, 381 trust companies/trustees and 44 insurance companies. The three largest banks in Liechtenstein manage 85 percent of the country's \$125 billion in wealth.

The business model of Liechtenstein's financial sector focuses on private banking, wealth management, and mostly nonresident business. It includes the provision of corporate structures such as foundations, companies, and trusts that are designed for wealth management, the structuring of assets, and asset protection. In recent years Liechtenstein banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. There

are no reported abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, or bearer shares.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civily:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 365 in 2014  
***Number of CTRs received and time frame:*** Not applicable  
***STR covered entities:*** Banks; securities brokers; insurance companies and brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high-value goods; lawyers; casinos; the Liechtenstein Post Ltd.; and financial intermediaries

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

Prosecutions: 9 in 2014  
 Convictions: 2 in 2014

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Liechtenstein is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The 2014 reporting year saw an increase of suspicious transaction reports (STRs) of 11 percent when compared to 2013. Only 10 percent of the filed STRs enumerated money laundering as the reason for filing. In 2014, 56 percent of Liechtenstein's STRs were forwarded to the Office of the Public Prosecutor. A total of \$27 million of assets were frozen in 2014.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-residence and trust or asset management accounts, are considered routine in Liechtenstein and are subject to normal customer due diligence procedures. Additionally, Liechtenstein does not explicitly designate trusts and foundations, entities with bearer shares, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities. Attempted transactions possibly related to funds connected to terrorism financing or terrorism are subject to suspicious transaction reporting.

Despite Liechtenstein's efforts to bring money laundering offenses fully in line with relevant standards, there are some questions surrounding the efficacy of its implementation as there have been only three domestic money laundering convictions since 2007.

## **Luxembourg**

Despite its standing as the second-smallest member of the EU, Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy, and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

Hundreds of well-known multinationals have secured deals in Luxembourg that allow them to legally slash their taxes in their home countries. In some cases the Luxembourg subsidiaries of multinationals, that on paper handle hundreds of millions of dollars in business, maintain only a token presence or a simple front address. While corporate tax avoidance is technically legal, in many jurisdictions tax evasion is illegal and a predicate offense for money laundering. The international standards include tax crimes as designated predicate crimes for money laundering.

The Luxembourg Freeport is a highly secure warehouse adjacent to Luxembourg Findel Airport. It offers a variety of tax advantages because the goods warehoused are technically in transit. The Freeport is often used to store art and other valuable items without having to pay customs or sales tax. The services and confidentiality make the Freeport similar to an offshore financial center. With the Law of 24 July 2015, the licensed operators of the Luxembourg Freeport are now subject to the same know-your-customer obligations as apply to all other covered entities under the Law of 12 November 2004. The Law of 24 July 2015 also provides that the licensed operators of the Luxembourg Freeport are supervised by the Luxembourg Administration for Indirect Taxation regarding their AML/CFT obligations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: NO

***KYC covered entities:*** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 10,423: January 1 - November 30, 2015

***Number of CTRs received and time frame:*** Not applicable

***STR covered entities:*** Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in UCIs; financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication network operators; insurance brokers and providers; management companies for reinsurance undertakings or insurance captives, run-off management companies, actuarial service

providers, insurance portfolio managers, governance service providers, and insurance claim handlers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; high-value goods dealers; and the licensed operators of the Luxembourg Freeport

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 486: January 1 - November 30, 2015

***Convictions:*** 257: January 1 - November 30, 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Luxembourg is a member of the FATF. Its most recent mutual evaluation can be found at:

[http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf\\_country\\_en%2Fluxembourg&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&r=%2Bf%2Ffatf_country_en%2Fluxembourg&s=desc(fatf_releasedate))

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

During 2015, Luxembourg continued to strengthen its AML/CFT system with the adoption of new legislation and the implementation of its AML/CFT framework. The Law of 24 July 2015 extends the scope of the Law of 12 November 2004 on the fight against money laundering and terrorist financing to include the licensed operators of the Luxembourg Freeport. On December 16, 2015 Parliament adopted Bill of Law N°6761 to implement UNSCR 2178, extending the money laundering offense to include the financing of incitation, recruitment, and training for terrorist purposes.

In 2015, the Supervisory Authority of the Financial Sector, the CSSF conducted 29 onsite AML/CFT inspections. The Supervisory Authority of the Insurance Sector (CAA) performed 25 on-site visits involving AML/CFT compliance checks (16 of life insurance companies and nine of insurance brokers). The choice of inspection subjects was based on the professionals' risk profile or other relevant data from desk-based supervision. In 2015, the CAA issued circular letter 15/8 on the adoption of the Life Insurance Charter of Quality which sets common principles in terms of combating money laundering and terrorist financing. Insurance undertakings have to comply with this charter or provide explanations to the CAA as to why they refrain from subscribing. The CAA also met with professionals of the insurance sector to discuss the AML/CFT risk assessment of the sector.

In 2015, the Administration for Indirect Taxes (AIT), the supervisory authority of designated non-financial businesses and professions not supervised by self-regulatory organizations also became the supervisory authority for all licensed operators of the Luxembourg Freeport. AIT teams conducted 40 AML/CFT onsite inspections of its supervised entities. In addition, the AIT organized in-house AML/CFT courses for all its agents during 2015 and AML/CFT outreach to the private sector through a dedicated committee.

The FIU continued to organize outreach to covered entities and to hold AML/CFT training jointly with other supervisory agencies and self-regulatory organizations. In 2015, the FIU also contributed to the completion of a project aiming to intensify the cross-border cooperation among European FIUs. The FIU was one of the leaders on this project.

## Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

With estimated gaming revenues of \$30 billion for 2015, Macau is still the world's largest gaming market by revenue, although monthly gaming revenue has fallen consecutively for the past 18 months. The gaming industry relies on loosely-regulated gaming promoters and collaborators, known as junket operators, for the supply of wealthy gamblers, mostly from mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk because they are unable to legally collect gambling debts on the mainland, where gambling is illegal. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering, encourages Chinese capital flight, and fosters underground financial systems such as fei-chien or "flying money."

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers,

realty services, pawn shops, traders in high-value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 1,807 in 2015

*Number of CTRs received and time frame:* Not applicable

*STR covered entities:* All persons, irrespective of entity or amount of transaction involved

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 1: January 1 - June 30, 2015

*Convictions:* 0: January 1 - June 30, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=fded343f-c299-4409-9cfc-0a97d89b6485>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Macau's financial intelligence unit (FIU) is an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with foreign counterparts.

Important deficiencies remain. Legislation that would strengthen Macau's customer due diligence (CDD) requirements has been pending for over three years, as has legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

China only allows the equivalent of \$50,000 a year per person to be moved out of China. To circumvent the currency restrictions, junket operators in Macau sometimes are used. For example, Chinese gamblers can deposit money with junkets in the mainland and use that money in Macau, or they can borrow from junket agents. If they deposit the money, the gamblers can then use the funds in Macau. Once they are finished gaming, they can take their winnings in U.S. or Hong Kong dollars and invest it in property or offshore tax havens. Much of the money funneled through junkets originates from corruption, embezzlement, and other illicit activities. The junket operators help arrange for visas, travel, and accommodations. Organized crime, including triads, are active in the gaming services and are engaged in loan-sharking, prostitution services, etc.

In August 2015, the People's Bank of China (PBC) signed a memorandum of understanding with the Macau Monetary Authority on bilateral exchanges on AML regulations, information

exchange mechanisms, and on-site inspections, giving mainland China authorities better access to information. The agreement is designed to bolster efforts to crack down on graft, capital flight, and underground banking.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators and mandating due diligence for non-regulated gaming collaborators. The government should take action on its long-pending legislation regarding CDD and cross-border currency controls. Macau also should enhance its ability to support international AML/CFT investigations.

## Mexico

Mexico remains a major transit country for cocaine and heroin and source country for heroin, marijuana, and methamphetamine destined for the United States. Proceeds of the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered funds include corruption, tax-evasion, influence peddling, kidnapping, extortion, intellectual property rights violations, human trafficking, and trafficking in firearms. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, Mexico's proximity to Central American countries, and the high volume of legal commerce, to conceal illicit financial transfers to Mexico. The smuggling of bulk U.S. currency into Mexico and the repatriation of the funds into the United States via couriers or armored vehicles remain commonly employed money laundering techniques. Additionally, the proceeds of Mexican drug trafficking organizations are laundered using variations of trade-based methods, particularly after Mexico placed restrictions in 2010 on amounts of U.S. dollar deposits. For example, checks and wires from so-called "funnel accounts" are used by Mexico-based money "brokers" to acquire goods, which are exchanged for pesos in Mexico, or to sell dollars to Mexican businesses. The combination in Mexico of a sophisticated financial sector and a large cash-based informal sector complicates money laundering countermeasures. According to Global Financial Integrity, Mexico had more than \$77 billion in illicit financial outflows in 2013 due primarily to abusive trade misinvoicing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, money exchangers, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, non-profit organizations (NPOs), armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, prepaid card services, and traveler’s checks services

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 113,550: January 2015 - October 2015  
***Number of CTRs received and time frame:*** 5,200,000: January 2015 - October 2015  
***STR covered entities:*** Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring entities, money exchangers, *centros cambiarios* (unlicensed foreign exchange centers), savings and loan institutions, money remitters, SOFOMES, SOFOLES, general deposit warehouses, casinos, notaries, lawyers, accountants, jewelers, realtors, NPOs, armored car transport companies, armoring services, construction companies, art dealers and appraisers, credit card system operators, prepaid card services, and traveler’s checks services

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available  
***Convictions:*** 14: September 2014 - June 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES  
***With other governments/jurisdictions:*** YES

Mexico is a member of both the FATF and the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/j-m/mexico/>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Secretariat of Credit and Public Debt (SHCP), equivalent to the U.S. Department of Treasury, passed a new regulation in December 2014 allowing Mexican banks to share information with international banks, including U.S. banks. Prior to this rule, Mexican banks could not share any customer or related information with foreign banks because of strict provisions of Mexico's privacy laws. The new regulation will allow Mexican banks to answer questions from international banks regarding the nature, purpose, and origin of financial transactions. SHCP also changed the regulations governing *casas de cambio*, or foreign exchange houses, requiring individuals to present identification regardless of the amount of currency exchanged.

Also in 2014, in an effort to boost economic growth, the SHCP decided to revisit the 2010 regulation placing limits on the amount of U.S. dollar cash deposits that could be made into banks in border areas. The original intent of the 2010 regulation was to keep illicit cash proceeds smuggled from the United States out of the Mexican banking system. Modifications in 2014 loosen the restrictions on dollar deposits for border and tourist-area businesses that have been operating for at least three years, provide additional information to financial institutions justifying the need to conduct transactions in U.S. currency, and provide three years of financial statements and tax returns. Very few Mexican financial institutions have taken advantage of these new regulations. It is unclear whether this is due to the additional reporting requirements attached to the 2014 regulatory changes, or to a lack of interest in receiving larger U.S. dollar deposits. U.S. dollars are widely used to conduct day-to-day transactions on the Mexican side of the border area.

On March 5, 2014, the government enacted article 421 of the new National Code of Criminal Procedures that covers liability for legal persons. Mexico is condensing 32 codes into one federal code. Implementation of the new code is a major task and will continue beyond 2016.

According to documents produced in Mexico's Attorney General's Office (PGR), during 2013 – 2014 the amount of laundered money seized in Mexico was only \$13 million. Considering that both Mexican and U.S. estimates for the amount of money laundered annually in Mexico is in the tens of billions of dollars, the low seizure rate is noteworthy.

The Government of Mexico should address the low money laundering seizure rate. Particular scrutiny should be placed on businesses involved in laundering drug money or other financial crimes and their relationship in financing political campaigns at the local, state and federal levels. Drug cartels have begun using front businesses to buy public debt in states with unusually high deficits, such as Coahuila and Chiapas, further exerting control over the political process. Corruption is an enabler of money laundering and its predicate offenses.

## **Netherlands**

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. The Netherlands has a prosperous and open economy, which depends heavily on foreign trade. Financial fraud, especially tax evasion, is

believed to generate a considerable portion of domestic money laundering activity. There are a few indications of syndicate-type structures in organized crime and money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although few border controls exist within the Schengen Area of the EU, Dutch authorities run special operations in the border areas with Germany and Belgium and in the Port of Rotterdam to keep smuggling to a minimum. Underground remittance systems such as hawala operate in the Netherlands.

Six islands in the Caribbean fall under the jurisdiction of the Kingdom of the Netherlands. Bonaire, St. Eustatius, and Saba are special municipalities of the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands. The Netherlands provides supervision for the courts and for combating crime and drug trafficking within the Kingdom. As special municipalities, Bonaire, St. Eustatius, and Saba are officially considered “public bodies” under Dutch law.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO  
*KYC covered entities:* Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers and surveyors, estate agents, civil law notaries, trusts and asset administration companies, and electronic money institutions

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 29,382 in 2014  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Banks, credit institutions, securities and investment institutions, providers of money and currency transaction services, life insurers and insurance brokers, credit card companies, casinos, traders and brokers in high-value goods, pawnshops, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil law notaries, trusts and asset administration companies, taxation offices, payment service providers and agents, and safe-rental companies

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** Not available

***Convictions:*** Not available

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

The Netherlands is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mutualevaluationreportofthenetherlands.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of the Netherlands continues to correct noted deficiencies and to make progress in improving its AML/CFT regime. On January 1, 2015, new rules entered into force that raise the maximum prison sentence for money laundering and broaden the definition of corruption to include bribery of financial service providers. Furthermore, pawnshops and brokers in high-value goods are now categorized by law as KYC- and STR-covered entities. The new legislation introduces more stringent rules on audit and compliance for trusts and asset administration companies. On March 1, 2015, the National Prosecutor's Office issued new guidelines on prosecuting money laundering cases.

The Netherlands utilizes an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the Financial Intelligence Unit (FIU) on any transaction that appears "unusual" (applying a broader standard than "suspicious"), or when there is reason to believe a transaction is connected with money laundering or terrorism financing. The FIU analyzes UTRs and forwards them to law enforcement for criminal investigation. Once the FIU forwards the report, the report is then classified as a suspicious transaction report (STR). There were 277,532 UTRs filed in 2014. The Netherlands does not require all covered entities to report all transactions in currency above a fixed threshold. Instead, different thresholds apply to various specific transactions, products, and sectors.

The FIU is an independent, autonomous entity under the National Police Unit. It is expected that the ongoing National Police's reorganization, scheduled for completion in 2018, will enhance law enforcement flexibility and effectiveness in responding to money laundering cases. The police closely cooperate with the Tax Authority's investigative service. The Anti-Money Laundering Center, established in 2013, combines expertise from government agencies, such as the FIU, the National Police, and the Tax Authority; knowledge institutions; private sector partners; and international organizations. Seizing financial assets of criminals continues to be a priority for law enforcement.

In 2015, Dutch law enforcement authorities arrested a number of individuals offering a guaranteed anonymous exchange of large amounts of bitcoins in exchange for fiat currency

(euros). Because of the suspect nature of the origin of the bitcoins, the exchange service charged a higher commission rate. The investigation is ongoing.

The Government of the Kingdom of the Netherlands should make available the number of prosecutions and convictions so as to better evaluate the effectiveness of its AML/CFT regime.

## Nigeria

Nigeria is a major drug transshipment point and a significant center for criminal financial activity. Corrupt officials and businessmen, criminal and terrorist organizations, and internet fraudsters take advantage of the country's location, porous borders, weak laws, endemic corruption, inadequate enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive largely from foreign drug trafficking and criminal activity rather than domestic activities. Drug traffickers reportedly use Nigerian financial institutions to conduct currency transactions involving U.S. dollars derived from the sale of illicit drugs.

Proceeds from illegal oil bunkering; bribery and embezzlement; contraband smuggling; theft, including bank robberies; and financial crimes, such as bank fraud, real estate fraud, and identity theft, also constitute major sources of illicit proceeds in Nigeria. International advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually.

Money laundering in Nigeria takes many forms, including investment in real estate; wire transfers to offshore banks; political party and campaign financing; deposits into foreign bank accounts; abuse of professional services, such as lawyers, accountants, and investment advisers; reselling imported goods, such as luxury or used cars, textiles, and consumer electronics purchased with illicit funds; and bulk cash smuggling. Cybercriminals increasingly use more sophisticated techniques, such as e-mail hacking, intrusions, and the use of social media. There also have been a number of cases in which subjects located in Nigeria have owned and operated botnets through which they have conducted denial of service attacks. Nigerian criminal enterprises are often adept at evading detection and subverting international and domestic law enforcement efforts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** List approach  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

**Enhanced due diligence procedures for PEPs:** Foreign: YES Domestic: YES

**KYC covered entities:** Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 1,468: January 1 – September 30, 2015

**Number of CTRs received and time frame:** 1,451,046: January 1 – September 30, 2015

**STR covered entities:** Banks, investment and securities broker/dealers, and discount houses; insurance institutions; debt factorization and conversion firms, money exchanges, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project and financial consultancy, or pension funds management; dealers in jewelry, cars, and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 33: January 1 – September 30, 2015

**Convictions:** 2: January 1 – September 30, 2015

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** MLAT: YES Other mechanism: YES

**With other governments/jurisdictions:** YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.giaba.org/reports/mutual-evaluation/Nigeria.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The current administration, specifically the Economic and Financial Crimes Commission, (EFCC), has made progress in recent months in the fight against Nigeria's pervasive corruption. In 2015, Nigeria also made limited progress towards the passage of several pieces of legislation intended to address strategic deficiencies in the country's AML/CFT regime. The Nigerian Financial Intelligence Centre (NFIC) Bill, which would make the Nigerian Financial Intelligence Unit (NFIU) a stand-alone agency, and the Proceeds of Crime (POC) Bill have both passed the National Assembly (in 2014 and 2015, respectively) but have not yet been signed into law.

Meanwhile, there has been little movement on a draft mutual legal assistance bill, which has not yet passed the National Assembly.

Nigerian financial institutions appear generally conscientious in submitting currency transaction reports (CTRs) to the relevant authorities, although the 2015 volume of such reports declined approximately 60 percent over the same period in 2014. The volume of those reports combined with the fact that many, if not most, are likely to be legitimate transactions, given the cash-based nature of the Nigerian economy, make it particularly difficult for the government to detect suspicious activity.

Nigeria's oil industry, which generates up to 70 percent of government revenues, has long been mired in corruption and mismanagement under successive governments. In 2015, the National Resource Governance Institute (NRGI) investigation into Nigeria's oil industry noted opaque transactional practices and overall mismanagement. The former minister of petroleum was later arrested in London after an investigation into massive bribery and money laundering. Nigerian authorities recently created and instituted a Treasury Single Account that requires the Nigerian National Petroleum Corporation to remit all earnings and should dramatically improve transparency in the oil sector over time.

The State Security Service (SSS), also known as the Department of State Services (DSS), is the primary investigating agency for terrorism cases, but some agencies have asserted it does not have the capacity to investigate terrorism financing or money laundering and that it does not share case information with other agencies that conduct financial investigations. There remain general questions as to the role of the SSS/DSS versus that of the EFCC in the investigation of terrorism financing. The ongoing inability and/or unwillingness of Nigeria's law enforcement agencies to share information or conduct joint investigations significantly hinder the government's efforts to combat money laundering. This issue is especially important with regard to terrorism financing.

Pervasive corruption, a lack of investigative capacity, inadequate legislative authority, and interagency dysfunction have hindered or blocked numerous prosecutions and investigations related to money laundering. Nigeria should ensure the EFCC and the NFIU are able to perform their functions without undue influence and free from political pressure. Additionally, Nigeria should work to thwart corruption at all levels of government and ensure the agencies that pursue money laundering-related and asset recovery cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offenses Commission, Nigerian Agency for the Prevention of Trafficking in Persons, Special Control Unit against Money Laundering, Nigerian Customs Service, and National Police Force, have the resources, support, and capacity to function as investigators or investigative partners in such cases.

Nigeria should continue working to pass and implement effective legislation that ensures the operational autonomy of its FIU, promotes the efficient recovery of criminal proceeds, and provides for mutual legal assistance in accordance with international standards. Nigeria should work to ensure law enforcement agencies cooperate effectively when investigating suspected money laundering. Nigeria should review its safe harbor provisions to protect STR reporting entities and their employees to ensure they are in line with international standards. It also should

consider developing a cadre of specially trained judges with dedicated portfolios in order to process financial crimes cases as quickly and effectively as possible. Nigeria also should strengthen and support its Central Authority for international cooperation, which is a component of the Office of the Attorney General.

## Pakistan

Pakistan is strategically located at the nexus of south, central, and western Asia, with a coastline along the Arabian Sea. Its porous borders with Afghanistan, Iran, and China facilitate the smuggling of narcotics and contraband to overseas markets. The country suffers from financial crimes associated with tax evasion, fraud, corruption, trade in counterfeit goods, contraband smuggling, narcotics trafficking, human smuggling/trafficking, and terrorism. The black market economy generates substantial demand for money laundering and illicit financial services.

Common methods for transferring illicit funds include fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling. Criminals utilize import/export firms, front businesses, and the charitable sector to carry out such activities. Pakistan's real estate sector is another common money laundering vehicle, since real estate transactions tend to be poorly documented and cash-based. Pakistan's national savings schemes appear vulnerable to money laundering, and laws providing certain immunities to foreign currency remittance accounts seem to provide an avenue for both money laundering and tax evasion.

Money laundering in Pakistan affects both the formal and informal financial systems. Pakistan does not have firm control of its borders, which facilitates the flow of illicit goods and monies into and out of Pakistan. From January through October 2015, the Pakistani diaspora remitted approximately \$16 billion back to Pakistan via the formal banking sector. Though it is illegal to change foreign currency without a license, unlicensed hawala/hundi operators are prevalent throughout Pakistan. Unlicensed hawala/hundi operators are also common throughout the region and are widely used to transfer and launder illicit money. Some support the financing of terrorism. UN-designated groups continue to be able to solicit donations openly without apparent government reaction.

Additionally, the Altaf Khanani money laundering organization (Khanani MLO), a transnational organized crime group, is based in Pakistan. The group facilitates illicit money movement between, among others, Pakistan, the United Arab Emirates (UAE), United States, UK, Canada, and Australia, and is responsible for laundering billions of dollars in organized crime proceeds annually. The Khanani MLO offers money laundering services to a diverse clientele, including Chinese, Colombian, and Mexican organized crime groups and individuals associated with Hizballah and designated terrorist organizations. The Khanani MLO also has been involved in the movement of funds for the Taliban, and Altaf Khanani, the group's leader, is known to have had relationships with Lashkar-e-Tayyiba, Dawood Ibrahim, al-Qaeda, and Jaish-e-Mohammed.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, developmental financial institutions (DFIs), and exchange companies; mutual funds, asset management companies, investment banks, and leasing companies; modarabas—a kind of partnership in Islamic finance, wherein one party provides finance to another party for the purpose of carrying on a business; pension funds, stock exchanges and brokers; insurance and reinsurance companies, insurance brokers, and insurance surveyors

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,919: July 2014 - May 2015  
***Number of CTRs received and time frame:*** 360,940: July 2014 - May 2015  
***STR covered entities:*** Banks, DFIs, exchange companies, mutual funds, asset management companies, investment banks, leasing companies, modarabas, pension funds, stock exchanges and brokers, insurance and reinsurance companies, insurance brokers, and insurance surveyors

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2 in 2015  
***Convictions:*** 0

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** NO ***Other mechanism:*** NO  
***With other governments/jurisdictions:*** YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:  
<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=8fc0275d-5715-4c56-b06a-db4af266c11a>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Following the December 16, 2014 attack against the Army Public School by Tehrik-i-Taliban Pakistan, in January 2015, Pakistan established its ‘National Action Plan’ (NAP), a National Apex Committee to implement the plan, the National Terrorists Financing Investigation Cell to curb terrorist financing, and an overarching commitment to “choke the finances” of terrorists and

terrorist organizations in the country. According to the National Counter Terrorism Authority, provisions of the NAP include obstructing financing for terrorists and terrorist organizations, ensuring against the re-emergence of proscribed organizations, and measures to stop the abuse of internet and social media for terrorism. The Government of Pakistan has taken a wide variety of steps under the auspices of the NAP, and implementation of the plan has yielded mixed results; often due to the lack of institutional capacity and capability, some aspects of the plan have seen minimal progress while others have garnered notable results.

Increasing awareness of, and training for, AML/CFT issues is critical to the judicial and law enforcement sectors. Lack of consistent and uniform implementation will continue to stymie Pakistan's AML/CFT regime. Pakistan does not fully implement UN sanctions obligations uniformly against all designated parties. Unlicensed hawaladars continue to operate illegally throughout Pakistan, particularly in Peshawar and Karachi; however, Pakistan has reportedly been pursuing illegal hawala/hundi/exchange houses under the NAP. The currency transaction reporting (CTR) threshold was brought down to Rs 2 million (approximately \$18,800) from Rs 2.5 million (approximately \$23,500) through a Gazette notification issued on January 21, 2015, under the AML Act, 2010.

Pakistani authorities should investigate and prosecute money laundering and terrorism financing in addition to the predicate offense creating the laundered proceeds. The Government of Pakistan should address all cases of terrorist financing; indiscriminately target terrorist and sectarian organizations; resolve remaining legal inadequacies related to the criminalization of money laundering; demonstrate effective regulation over exchange companies; create an assertive and transparent sanctions regime; implement effective controls for cross-border cash transactions; and develop an effective asset forfeiture regime. Pakistan should also design and publicly release metrics that track progress in combating money laundering and terrorism financing, such as the number of financial intelligence reports received by its financial intelligence unit and the annual number of money laundering prosecutions and convictions.

Pakistani law enforcement and customs authorities should address trade-based money laundering and value transfer, particularly as it forms the basis for account-settling between hawaladars. A crack-down on massive trade and customs fraud, including within the framework of the Afghan Transit Trade, would also translate to needed revenue for the Government of Pakistan.

## **Panama**

Panama's strategic geographic location; dollarized economy; status as a regional financial, trade, and logistics center; and lax regulatory system make it an attractive target for money launderers. Money laundered in Panama is believed to come in large part from the proceeds of drug trafficking due to the country's location along major drug trafficking routes. Tax evasion, financial fraud, and corruption also are believed to be major sources of illicit funds. Numerous factors hinder the fight against money laundering, including the existence of bearer share corporations, a lack of collaboration among government agencies, lack of experience with money laundering investigations and prosecutions, inconsistent enforcement of laws and regulations, and a weak judicial system susceptible to corruption and favoritism. Money is laundered via bulk cash and trade by exploiting vulnerabilities at the airport, using commercial cover and free

trade zones (FTZs), and exploiting the lack of regulatory monitoring in many sectors of the economy. The protection of client secrecy is often stronger than authorities' ability to pierce the corporate veil to pursue an investigation.

Panama has 16 FTZs, including the Colon Free Zone (CFZ), the second-largest FTZ in the world.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach

***Are legal persons covered:*** criminally: YES civilly: NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES

***KYC covered entities:*** Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; FTZ companies; finance companies; real estate brokers; and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 1,005 in 2014

***Number of CTRs received and time frame:*** 554,879 in 2014

***STR covered entities:*** Banks, cooperatives, money exchanges, money transfer companies, casinos, betting and gaming companies, fiduciaries, insurance and insurance brokerage companies, the national lottery, investment and brokerage houses, real estate brokers, construction companies, precious metals and mining companies, pawnshops, and FTZs

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 295 in 2015

***Convictions:*** 251 in 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** MLAT: YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Panama is a member of the Financial Action Task Force of Latin America (GAFILAT). Its most recent evaluation can be found at: <http://www.imf.org/external/pubs/ft/scr/2014/cr1454.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

In June 2014, in response to continued criticism, Panama developed an action plan to address its AML deficiencies, and the Government of Panama offered a high-level commitment to implement the necessary actions. In 2015, the government approved and passed legislation to criminalize money laundering, address countering the financing of terrorism (CFT), and cover designated non-financial businesses and professions (DNFBPs). A key factor contributing to Panama's vulnerability to money laundering was that not all financial and non-financial sectors were subjected to regulations and supervision, which has now been addressed in legislation. Government agencies responsible for AML issues are under-resourced and often lack the personnel and training to investigate and prosecute complex money laundering schemes.

In 2015, Panama strengthened its legal framework, amended its criminal code, and passed a new AML/CFT law and other legislation enhancing the framework for international cooperation. Panama is beginning to develop an adequate legal framework for freezing terrorist assets and effective measures for customer due diligence to improve transparency. Panama passed a series of laws, which brought its legal regime more in line with international standards. Law 10 and Law 34 amend the criminal code by adding predicate offenses that typify terrorist financing and money laundering. Law 11 addresses provision of international legal cooperation and assistance in criminal matters. Law 23 of 2015 includes many new reporting entities, in particular a broad array of DNFBPs as well as money service businesses. For the banking sector, the law sets out key customer due diligence requirements. The government also amended or adopted new regulations pertaining to the identification of suspicious activity by banks and other entities. Additionally, Panama's financial intelligence unit, the UAF, has significantly improved its analytical capacity under the leadership of its new director. Panama has started to implement the various AML/CFT laws; however, implementation efforts are in early stages.

Panama's Law 18, 2015, which came into effect in December 2015, provides for the custody of bearer shares. The law will severely restrict the use of bearer shares; companies still using these types of shares must appoint a custodian and maintain strict controls over their use. Bearer shares issued before the law was approved must be replaced with nominative shares or handed over to a custodian by December 2015. Until the law is fully implemented, financial institutions face a risk associated with clients who maintain bearer share companies. Additionally, only banks have enhanced due diligence procedures for foreign and domestic politically exposed persons (PEPs).

The judicial branch's capacity to successfully prosecute and convict money launderers remains weak and judicial branch employees remain susceptible to corruption. Panamanian officials have given assurances they will complete the transition to a U.S.-style accusatory judicial system in all provinces, which began in September 2010, by 2016. All known money laundering convictions are tied to bulk cash cases with an obvious connection to a predicate crime. Panama does not adequately track criminal prosecutions and convictions specifically related to money laundering. The numbers of prosecutions and convictions shown in this report represent partial figures from the drug and anti-corruption prosecutors for 2015, because not all provinces reported figures.

The Panama Customs Authority's collaboration with U.S. agencies increased passenger scrutiny and notable seizures of undeclared cash at Tocumen International Airport. However, regional airports are undergoing renovation and gaining prominence and could be new channels of access for money launderers. Although Panamanian Customs can identify potential trade-based money laundering with information from the Trade Transparency Unit, a regional trade data-sharing entity, it can only levy fees for customs tax evasion.

The CFZ remains vulnerable to illicit financial activities and abuse by criminal groups, due primarily to weak customs enforcement and limited oversight of trade and financial transactions. Bulk cash remains easy to introduce into the country by declaring it is for use in the CFZ, but no official verification process exists to confirm its end use for lawful business in the free zone. The lack of integration of the CFZ's electronic cargo tracking system with Panamanian Customs hinders timely analysis. The CFZ administrator, appointed in July 2014 by the president, has reinstated the CFZ's Office of Money Laundering Prevention and is aiming to expand its control over CFZ businesses and transactions. Under Law 18, 2015, the CFZ comes under the supervision of the Intendencia, the body within the Ministry of Finance that supervises DNFBPs.

On October 22, 2013, the Government of Panama signed a case-sharing agreement with the United States, creating a bilateral committee to manage \$36 million of forfeited assets for use by the Panamanian government to strengthen AML practices. However, there is limited cooperation and communication among the various government agencies to propose and approve projects to use the funds, and the Government has not finalized a process to disburse the funds. The U.S. and Panamanian governments jointly administer these shared funds to address AML issues.

Panama must continue to strengthen the prosecutor's office and the judicial system, increase transparency in financial and trade networks, and enforce the legal framework approved to freeze terrorist assets. The government should criminalize tipping off to ensure the integrity of STR reporting. Panama should also work diligently to fully implement its new laws and regulations and ensure all relevant agencies and departments have adequate resources to effectively fulfill their responsibilities. The government's action plan is providing a roadmap for Panama to achieve these goals.

## **Paraguay**

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic institutional corruption, occurs in the tri-border region shared with Argentina and Brazil and facilitates much of the money laundering in Paraguay. While the Government of Paraguay believes proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, porous borders, bearer bonds, casinos, unregulated exchange houses, lax or no enforcement of cross-border transportation of currency and negotiable instruments disclosures, ineffective and/or corrupt customs inspectors and police, trade-based value transfer, underground remittance systems, and minimal enforcement activity for financial crimes allow

money launderers, transnational criminal syndicates, and possibly terrorism financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, and nearby Salto del Guairá, and Pedro Juan Caballero represent the heart of Paraguay's "informal" economy, and trade-based money laundering occurs in the region. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Paraguay accounts for over 10 percent of the world's contraband cigarette trade. There are estimates that up to 90 percent of cigarettes produced in Paraguay, approximately \$1 billion worth, is smuggled annually across borders, largely to Brazil, Argentina, and Uruguay. Cigarette smuggling is used for money laundering purposes and the cigarette supply chain enriches criminal organizations and corrupt officials. In the past, terrorist organizations have received some proceeds from these illicit activities.

Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering occurs in both the formal financial sector and the non-bank financial sector, particularly in exchange houses. Both sectors move illicit proceeds into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations that include banking centers in the United States.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; non-governmental organizations (NGOs); pawn shops; and dealers in precious stones, metals, art, and antiques

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 2,238: January – November 2015

*Number of CTRs received and time frame:* 166: January – November 2015

*STR covered entities:* Banks, credit and consumer cooperatives, and finance companies; insurance companies; exchange houses, stock exchanges, securities dealers, investment and trust companies; mutual and pension fund administrators; gaming entities; real estate brokers; NGOs; pawn shops; and dealers in precious stones, metals, art, and antiques

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 7 in 2015

*Convictions:* 3 in 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Paraguay is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Paraguay\\_3era\\_Ronda\\_2008.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Paraguay_3era_Ronda_2008.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Although the Government of Paraguay is making progress in improving its AML/CFT regime, concerns remain regarding the country's ability to identify, investigate, and prosecute money laundering and related crimes effectively. Concerns remain about the willingness of the banking sector to engage in combatting AML/CFT. The lack of data on prosecutions and convictions makes tracking government effectiveness difficult. Available information is inconsistent. Paraguayan authorities recognize the lack of data centralization as a persistent weakness. The Government of Paraguay, through long-term engagement of subject matter experts from international donors, is working to improve its AML/CFT regime. Understanding that illicit narcotics trade proceeds often finance further illicit trafficking, corruption, and terrorism, the National Anti-Narcotics Secretariat (SENAD) has sought assistance from the international law enforcement community to train and coordinate with SENAD AML investigators.

Pursuant to new legislation passed on September 7, 2015 (Resolution 345/15), Paraguayan banks, financial institutions, and insurance companies must abide by AML/CFT regulations to identify financial beneficiaries. The law requires clients of financial institutions to convert bearer shares into registered shares or, alternatively, to immobilize their bearer shares in a Paraguayan financial institution. Beginning in 2016, the Central Bank of Paraguay will keep a registry of immobilized bearer shares.

In 2015, the Inter-American Development Bank published the National Risk Assessment of Paraguay, which identifies the most relevant AML/CFT threats and vulnerabilities. Paraguayan

officials report they are updating their AML Strategic Plan and allocating resources more efficiently as a result.

The Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) - the financial intelligence unit (FIU) - is Paraguay's AML authority. SEPRELAD has Minister-level leadership that reports directly to the President. In 2015, the Attorney General's Office (AGO) also established a money laundering unit and appointed a specialized AML prosecutor, based in Asuncion, to handle all cases and centralize country-wide efforts. Plans are underway to increase staff and provide additional resources.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors, and public defenders is largely based on politics, nepotism, and influence peddling. Interagency cooperation continues to improve but remains an impediment to effective enforcement, prosecution, and reporting efforts. Although the AGO's Economic Crimes Office is responsible for prosecuting money laundering cases, other offices often prosecute money laundering charges in cases involving other charges, such as narco-trafficking. Paraguay does not have a formal system for tracking money laundering cases, which makes collecting data on cases prosecuted by other offices or by local prosecutors outside of Asuncion difficult. Higher numbers of prosecutions and convictions in 2014 and 2015 indicate increased willingness and capability to address money laundering.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The autonomous government institution responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Credit unions respond to central bank ad hoc requests for money laundering indicators, even though they do not fall under the central bank's formal oversight. Currency exchange houses are another critical non-bank sector where enforcement of compliance requirements remains limited.

Customs operations at airports and overland entry points provide little control of cross-border cash movements. Customs officials are often absent from major border crossings, and required customs declaration reports are seldom checked. Paraguay has yet to put in place an effective framework for disposing of bulk cash seized in connection with undeclared or suspicious movements.

Some Paraguayan businesses in perceived high-risk sectors (including gun dealers, jewelers, and casinos) encountered difficulties in sending money to and receiving money from banks in other countries. SEPRELAD reports it has not prohibited such transactions and has committed to working with individual banks as well as banking consortiums to clear up any misunderstanding or overly strict interpretation of AML regulations.

The Government of Paraguay should address the pervasive corruption in the country. Authorities should take additional steps to provide the training, resources, and will to effectively combat the laundering of illicit funds and value transfer.

## Philippines

The Republic of the Philippines is integrated into the international financial system but is not a regional financial center. The Philippines is increasingly becoming an important financial player in Asia, with an economy growing steadily at 6 percent annually. Money laundering is a serious concern due to the Philippines' international narcotics trade, high degree of corruption among government officials, trafficking in persons, and the high volume of remittances from Filipinos living abroad. The Philippines faces challenges from sophisticated transnational drug trafficking organizations (DTOs), such as the "Hong Kong triads," who use the Philippines as a drug transit country for cocaine and methamphetamine. These DTOs use the Philippine banking system, commercial enterprises, and particularly casinos, to transfer drug proceeds from the Philippines to offshore accounts. Other transnational criminal organizations, including groups based in Africa, are expanding their presence throughout East Asia and will likely continue to exploit the Philippine financial system to launder and transfer drug trafficking proceeds. Insurgent groups in the Philippines' south engage in money laundering through ties to organized crime, deriving funding from kidnapping for ransom and arms trafficking, and potentially narcotics.

The Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned entity, issues licenses to operators and regulates the rapidly expanding Philippine gaming industry. PAGCOR uniquely operates its own casinos in addition to serving as the industry's overseer. PAGCOR reported gross revenues equivalent to about \$920 million for calendar year 2014. Regionally, organized crime groups, such as Chinese triads, have infiltrated casino operations and have facilitated prostitution, narcotics trafficking, loan-sharking, and suspect junket and VIP gaming tours. International experts and observers note that the Philippine casino industry is a weak link in the country's AML/CFT regime.

The high volume of formal and informal remittances from overseas Filipinos provides a channel for money laundering. Cash remittances, from the more than 10 million Filipinos working and/or residing abroad, are equivalent to 8 to 9 percent of the gross domestic product (GDP) of the Philippines. Improvements in the financial services industry now enable banks and official money remitters to capture approximately 90 percent of the remittances sent by the diaspora.

The Philippines is a leader in the use of cell phone technology for funds transfers. The Government of the Philippines uses this technology for government-to-persons payments, such as its Conditional Cash Transfer Program, and supports its development for broader financial inclusion efforts. The technology systems that telecommunications firms use to facilitate financial transfers are subject to Philippine Central Bank study and approval.

The Philippine Economic Zone Authority (PEZA) regulates about 326 economic zones throughout the country (216 of these are classified as "IT Parks and Centers" due to the Philippines' status as a haven for call centers). Local governmental units, the government-owned Bases Conversion Development Authority, and the Subic Bay Metropolitan Authority regulate a handful of other zones. The PEZA economic zones are well regulated; however, smuggling is a concern for the locally-regulated zones. In addition, the Philippine Central Bank exercises regulatory supervision over three offshore banking units and requires them to comply with reporting provisions and other banking rules and regulations.

According to Global Financial Integrity, the Philippines is ranked number eight in the world regarding the amount of illicit outflows primarily due to abusive trade mis-invoicing, a form of trade-based money laundering (TBML). Under-invoicing or undervaluation of imports is also a significant problem in the Philippines. Recently, there also have been instances of over-valuation of imports in the Philippines.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** criminally: YES civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** Foreign: YES Domestic: YES  
***KYC covered entities:*** Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi-banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 133,046: January 1 - October 31, 2015  
***Number of CTRs received and time frame:*** 30,844,366: January 1 - October 31, 2015  
***STR covered entities:*** Universal, commercial, thrift, rural, and cooperative banks; offshore banking units and quasi-banks; pawn shops and dealers in precious metals and stones; insurance, reinsurance, and pre-need companies, agents, and brokers; mutual benefit associations and holding companies controlling any authorized insurer; trust funds/entities; securities broker/dealers, sales representatives, consultants, and managers; investment houses and mutual funds; foreign exchange dealers, money changers, remittance/transfer agents, and electronic money issuers; entities dealing in currency, financial derivatives, cash substitutes, and similar monetary instruments; and lawyers and accountants

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 0: January 1 - October 31, 2015  
***Convictions:*** 0: January 1 - October 31, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:*     *MLAT:* YES           *Other mechanism:* YES

*With other governments/jurisdictions:* YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/n-r/philippines/documents/mutualevaluationofthephilippines.html>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Anti-Money Laundering Council (AMLC), the Philippines' financial intelligence unit, continued its efforts throughout 2015 to secure passage of an amendment to include casinos in the Anti-Money Laundering Act (AMLA). Progress has been slow as national elections near and because of extensive lobbying from the casino industry. Considering unsuccessful attempts in the past, the inclusion of casinos under the Philippines' AML/CFT regime may not occur absent sustained international pressure.

The Philippine Congress did not approve the inclusion of real estate agents in the expanded list of covered institutions under amendments to the AMLA. Instead, a provision authorizes the AMLC to require reports and other documents from the government's Land Registration Authority and the Registries of Deeds. The AMLC and the government agencies concerned have yet to finalize operational and technical details/arrangements to implement reporting of real estate transactions.

The AMLC has pursued efforts to collect additional information from dealers of precious stones and metals. However, despite inclusion as covered entities in the 2013 AMLA amendments, these dealers have not begun sending reports to AMLC. There is no single government authority regulating jewelry dealers. The industry's current status poses challenges for coordinating, monitoring, and enforcing their obligations under the AMLA. AMLC continues to consult with the industry association on operational and technical details/arrangements to implement reporting and other requirements.

As a form of customs fraud, TBML severely impacts revenue collection. TBML is also commonly used around the world in various forms of underground financial systems. According to a 2015 survey, the Philippines Bureau of Customs is believed to have major corruption issues. Corruption undoubtedly enables some fraudulent trading practices. The Philippines has a new Trade Transparency Unit (TTU) that uses data and analytics to spot anomalies in trade that could be used to trigger TBML investigations.

The Bureau of Customs remains a paper-driven organization. The Bureau of Customs' lack of automation for import transactions continues to foster an organization rife with corruption. The customs brokers operate within the seaport facility with impunity. Change within the Bureau of Customs has been slow as there are underlying forces, both internal and external, to prevent any substantive changes.

The non-profit sector remains without effective oversight as there is no single supervisory authority. Consequently, monitoring is weak due to insufficient coordination and limited resources of regulatory bodies.

Limited human and financial resources coupled with corruption and lack of will constrain enforcement. Only 49 AML cases have been filed since the AMLC began operating in 2001. Historically, the volume of prosecutions and convictions has been virtually nil, and once again in 2015, there were no prosecutions or convictions. Philippine agencies charged with AML/CFT authority continue to receive assistance to build institutional and technical capabilities for monitoring, investigation, prosecution, and enforcement. The Government of the Philippines should demonstrate its political will to advance its AML/CFT regime by enforcing its laws, including by taking steps to enforce reporting and other AML/CFT requirements for real estate agents, precious metals and stones dealers, and jewelers. The government should include casinos and other forms of gaming in its AMLA. The Philippines also should provide effective supervision of non-profit organizations. The Government of the Philippines should combat corruption within customs and provide the necessary resources and mandate to its TTU.

## **Russia**

While Russia continues to make significant progress in improving its AML/CFT legal and enforcement framework, the prevalence of money laundering in Russia remains a major obstacle to financial sector development. Money laundering continues to cost the Russian economy billions of dollars every year. The Central Bank of Russia (CBR) estimates that \$8.6 billion in 2014, and \$936 million in the first half of 2015 left Russia through what the CBR terms “fictitious transactions.” This definition, according to the CBR, includes payment for narcotics, bribes to government officials, and tax evasion. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, smuggling operations, and corruption. In particular, official corruption remains a significant problem at all levels of government, and is a major source of laundered funds, with proceeds frequently moved offshore. Cybercrime remains a significant problem. Russia’s highly skilled hackers and traditional organized crime structures have followed the global trend of increasingly combining forces, resulting in an increased threat to the financial sector.

Russia is considered a significant transit and destination country for international narcotics traffickers. Criminal elements from Russia and neighboring countries continue to use Russia’s financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, domestic and foreign real estate, and luxury consumer goods.

Gaming is only allowed in specified regions, with regulatory authority shared across multiple agencies, including the Ministries of Finance and Internal Affairs. The Federal Financial Monitoring Service (Rosfinmonitoring), Russia’s financial intelligence unit, has been designated as the competent AML/CFT authority for casinos. Only licensed casinos in special gambling zones can register with Rosfinmonitoring, which has inspected the two registered casinos. Online gaming is prohibited.

There is a large migrant worker population in Russia. While the majority of workers likely use formal banking mechanisms, a considerable amount of transfers are believed to occur through informal value transfer systems that may pose a vulnerability for money laundering.

Executive Order (E.O.) 13660, dated March 6, 2014, imposes a travel ban and freezes any assets held in the United States of persons or entities who acted to undermine the democratic processes and institutions in Ukraine and contributed to the misappropriation of its assets. E.O. 13661, dated March 16, 2014, expands the scope of E.O. 13660 to cover the Government of the Russian Federation and its officials, the Central Bank, any state-controlled entities, those who operate in the arms sector in Russia, and seven specified individuals who are senior Russian government officials. The EU took parallel action and imposed similar sanctions in March 17, 2014, followed by Council Regulation (EU) No 692/2014 of June 23, 2014, imposing restrictions on import/export activity and financial transactions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All crimes approach  
*Are legal persons covered:* criminally: NO civilly: YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* Foreign: YES Domestic: YES  
*KYC covered entities:* Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance, and leasing companies; investment and non-state pension funds; casinos and gaming outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and legal or accounting service providers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* Not available  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; pawnshops and dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and legal or accounting service providers; microfinance organizations; consumer credit cooperatives; and non-commercial organizations receiving funds from certain foreign entities

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* Not available

*Convictions:* 164 in 2014

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Russia is a member of the FATF and two FATF-style regional bodies: the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL); and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found at:

<http://www.fatf-gafi.org/countries/n-r/russianfederation/>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Russia continues to strengthen a number of regulatory and legal measures to combat financial crime and money laundering. During this period of economic difficulty, Russia has continued to make progress in reducing money laundering, partly as a way to lessen the amount of money that is being illegally siphoned out of the local economy. The improvement in financial legislation, while a major step forward for Russia, requires full and unbiased implementation to address Russia's reputation as a center for money laundering.

Several pieces of legislation tighten controls on the financial sector. Federal Law 110-FZ, enacted in May 2014, lowers the threshold of foreign currency transactions conducted by non-profit organizations, foreign states, and international and foreign organizations subject to mandatory controls to 100,000 rubles (approximately \$1,400). Federal Law 213-FZ, passed in July 2014, regulates the opening of banking accounts and letters of credit for defense and strategic industries. In December 2014, several additional laws were passed. Federal Law 461-FZ was amended to expand the list of entities covered under the AML/CFT law to include communications providers. Federal Law 484-FZ requires individuals trading in commodity or financial markets to provide information, upon request, to Rosfinmonitoring. Federal Law 484-FZ mandates the notification to Rosfinmonitoring of the opening, closing, or changing of details of any accounts or letters of credit by companies of strategic importance to the Russian Federation.

The CBR again stepped up enforcement within the banking sector, revoking 92 banking licenses in 2014 and 93 by November of 2015. The CBR claims dubious transactions were one of the main reasons behind the revocation of licenses. The CBR tightened the criteria for suspicious transactions by reducing the quarterly transaction volume threshold from RUB 5 billion (approximately \$68.3 million) to RUB 3 billion (approximately \$41 million) and the proportion of suspicious cash transactions from 5 percent to 4 percent of the debit turnover on customer accounts. The CBR also has tightened restrictions on cash payment terminals by forcing 95 percent of cash transactions to go directly to special accounts. The CBR Department of Financial Monitoring and Currency Control had estimated the aggregate value of illicit cash payments through terminals in 2015 was RUB 390 billion (approximately \$5.3 billion). Over 11 million suspicious transaction reports (STRs) were filed in 2014.

In November 2015, the President signed an executive order to establish an interagency commission on preventing the financing of terrorism. The Kremlin stated that this order will be used to block money and assets belonging to organizations or individuals believed to be involved in terrorist activity. The interagency commission will process requests received by Rosfinmonitoring from other countries' relevant agencies on organizations' or individuals' possible involvement in terrorist activity (including financing terrorism). The Prosecutor's Office, Central Bank, regional and local authorities, and other state agencies and organizations have been instructed to send materials in their possession on possible involvement in terrorist activity (including financing terrorism) of organizations and individuals to the Inter-Agency Commission for Preventing the Financing of Terrorism.

Rosfinmonitoring published a draft bill in October 2015 that would require administrative liability for laundering criminal proceeds for legal persons (e.g., companies). Current Russian legislation provides for criminal liability for laundering by natural persons and penalties of up to RUB 60 million (approximately \$819,500) for legal persons but only in cases of financing terrorist attacks and similar crimes, not for ordinary criminal operations.

In March 2015, Federal Law 140-FZ, also called the Capital Amnesty Law, was passed. It allows Russian citizens and legal entities to declare their offshore assets without fear of being held accountable for criminal, administrative, or tax indiscretions that may have occurred in connection with their assets prior to January 1, 2015. The amnesty was scheduled to end on December 31, 2015, but was extended until June 2016 by Presidential decree on December 29, 2015. The Capital Amnesty Law is intended to be an incentive to return capital to Russia in conjunction with the de-offshorization law, which entered into effect, after a delay, in June 2015. This legislation requires offshore entities that are at least 50 percent Russian-owned to pay tax on unallocated profits; the ownership threshold will fall to 25 percent in 2017. Russian ownership in a controlled foreign company of more than 10 percent must be reported to the Russian authorities before April 1, 2015.

In 2014, the Russian Federation undertook additional measures centered on its tax system. The plan develops a number of items of important AML legislation. Most of these steps were completed in 2014. In 2015, there was a steady improvement in efforts to reduce illicit transactions. The Federal Tax Service and Rosfinmonitoring created new interagency working groups and exchanged information databases to increase cooperation in the prevention, detection, and suppression of illegal financial transactions. Russian authorities are also using computer models to analyze trade and financial flows, as well as to model taxpayer behavior in the home appliance/electronics and precious metal markets.

In June 2014, Federal Law 173-FZ was passed to allow Russian financial institutions to improve information exchange with foreign tax authorities generally. According to this law, Russian financial institutions may transfer information to a foreign tax authority only with the consent of the non-resident customer. If no consent is provided, the financial institution may unilaterally terminate the contract with the client. In addition, on Dec. 12, 2015, the Russian government established Decree No. 1365 requiring Russian individuals to report annually to the government on transactions on their foreign bank accounts. Russia is unable to effectively enforce foreign forfeiture orders.

There were a number of criminal prosecutions for money laundering in 2014. The most prominent was the arrest of Sergei Magin for the creation of a criminal association. The charges claimed Magin established 14 shell companies that specialized in illegal encashment transactions. It was estimated this group illegally transferred RUB 200 billion (approximately \$2.7 billion) abroad. Other cases involved the misuse of state funds awarded under government contract in the amounts of RUB 5 billion (approximately \$68.3 million) and RUB 9 billion (approximately \$122.9 million). In 2014, there were over 1,200 criminal charges filed using Rosfinmonitoring materials, and 164 convictions on charges related to money laundering.

Qiwi, a large Russian digital payment system, has announced plans to issue a Russian cryptocurrency, called the BitRuble in 2016. Qiwi is currently testing and finalizing the various platforms to ensure they comply with Russian law. While bitcoin is currently illegal in Russia, if BitRuble is able to launch, it would present challenges to law enforcement to prevent money laundering in Russia.

Although the U.S. and Russia are parties to a bilateral Mutual Legal Assistance Treaty (MLAT), cooperation under the MLAT is often not effective. Additionally, U.S. authorities have been unable to work with Russian counterparts to pursue criminal forfeiture under Russian law of millions of dollars in drug-trafficking proceeds that an international drug dealer, convicted in the U.S., admits went to purchase warehouses for the storage of drugs.

## Singapore

Singapore's openness as an international financial, investment, and transport hub exposes it to money laundering and terrorist financing risks. The country's position as the most stable and prominent financial center in South East Asia, coupled with a regional history of transnational organized crime, large-scale corruption in neighboring states, and a range of other predicate offenses in those states increase the risk that Singapore will be viewed as an attractive destination for criminals to launder their criminal proceeds. Limited large currency reporting requirements and the size and growth of Singapore's private banking and asset management sectors also pose inherent risks. Among the types of illicit activity noted in the region are fund flows associated with illegal activity in Australia that transit Singapore financial service providers for other parts of Asia.

As of November 17, 2015, there were 37 offshore banks in operation, all foreign-owned. Singapore is a major center for offshore private banking and asset management. Assets under management in Singapore total approximately SGD 2.4 trillion (approximately \$1.89 trillion) in 2014. As of the end of 2014, Singapore had at least SGD 1.94 trillion (approximately \$1.53 trillion) in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

There are two casinos in Singapore with estimated combined annual revenue of \$4.83 billion in 2014. Online gaming is illegal. Casinos are regulated by the Casino Regulatory Authority. Given the scale of the financial flows associated with the casinos, there are concerns that casinos could be targeted for money laundering purposes.

Singapore exempted the processing of gold and other precious metals from its Goods and Services Tax to attract a larger share of the trade in precious metals. Regionally, gold is often used as a commodity of choice in trade-based money laundering (TBML) schemes and is also used frequently in the settling of accounts in underground financial systems. Singapore is located on a key global trade route and is a major transshipment port. Singapore hosts ten free trade zones which may be used for storage, repackaging of import and export cargo, assembly, and other manufacturing activities approved by the Director General of Customs, in conjunction with the Ministry of Finance. Singaporean authorities recognize the vulnerability of these areas to trade fraud and TBML.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 29,082 in 2014  
*Number of CTRs received and time frame:* 385,496 in 2014  
*STR covered entities:* Banks, auditors, financial advisors, capital market service licensees, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents, and money changers and remitters

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 111 in 2014  
*Convictions:* 89 in 2014

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* *MLAT:* NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Singapore is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/documents/documents/mutualevaluationofsingapore.html>

### **ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Currency transaction reporting (CTRs) only pertains to casinos and to gem and precious metals dealers. There currently is no comprehensive requirement for mandatory reporting of all currency transactions above a certain threshold amount for all types of financial institutions or designated non-financial businesses and professions (DNFBPs), which limits the ability to track significant financial movements.

In 2015, the Monetary Authority of Singapore announced that, between April 2013 and March 2014, it conducted 83 AML/CFT inspections, issued nine supervisory warnings and reprimands, restricted the operations of six financial institutions, and revoked the licenses of two remittance agents. It also fined five financial institutions for breaches of AML/CFT requirements.

The extradition treaty between the United States and Singapore is an old style “list” treaty that enumerates the specific offenses for which the parties have agreed to extradite. The major deficiency with the treaty is that the list of offenses is woefully out of date and does not cover money laundering. Singapore has denied multiple extraditions to the United States for prosecution on money laundering offenses due to the lack of treaty coverage and Singapore has shown no interest in engaging in discussions to modernize the extradition treaty.

All mutual legal assistance granted by Singapore is based upon Singapore’s domestic legal assistance statute, entitled the Mutual Assistance in Criminal Matters Act (MACMA). Singapore strictly applies the provisions of this domestic law, regardless of whether a foreign request for assistance is made pursuant to a bilateral treaty or a multilateral convention. Mutual legal assistance treaties (and extradition treaties) are not self-executing in Singapore, and therefore have no effect under Singapore law, other than to the extent the treaties are implemented by specific domestic laws. Singapore authorities interpret the MACMA very strictly, complicating the provision of assistance. Despite the stringent requirements and procedures, Singapore does provide mutual legal assistance, including in money laundering cases.

Singapore’s large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses and use stand-alone money laundering charges to prosecute foreign offenders in Singapore. Given that some of Singapore’s more vulnerable sectors include those that are cash-intensive, Singapore also should consider the adoption of CTR reporting for all types of financial institutions and DNFBPs.

## **Sint Maarten**

Sint Maarten is an autonomous entity within the Kingdom of the Netherlands. Sint Maarten enjoys sovereignty on most internal matters and defers to the Kingdom of the Netherlands in

matters of defense, foreign policy, final judicial review, human rights, and good governance. Money laundering is primarily related to proceeds from illegal narcotics trafficking. Bulk cash smuggling and trade-based money laundering may be problems due to the close proximity to other Caribbean islands and Saint Martin, the French part of the shared island, which is also a free trade zone. Sint Maarten does not have an offshore banking industry. Many hotels operate casinos on the island, and online gaming is legal and subject to supervision.

Sint Maarten's favorable investment climate and rapid economic growth over the last few decades have drawn wealthy investors to the island. Many invested money in large scale real estate developments, including hotels and casinos. In Sint Maarten, money laundering of criminal profits occurs through business investments, purchases of real estate, and international tax shelters. Its weak government sector continues to be vulnerable to integrity-related crimes.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** *Foreign:* YES *Domestic:* YES  
***KYC covered entities:*** Banks, lawyers, insurance companies, casinos, customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 4,267: January – July, 2015

***Number of CTRs received and time frame:*** Not available

***STR covered entities:*** Banks, lawyers, insurance companies, casinos, customs, money remitters, the Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, currency exchange offices, and stock exchange brokers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 2 in 2015

***Convictions:*** 4 in 2015

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:*     *MLAT:* YES     *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Sint Maarten is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/documents/cfatf-mutual-evaluation-reports/sint-maarten-1>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Sint Maarten’s new Penal Code, which went into effect on June 1, better regulates crimes such as terrorism financing and money laundering, with the requisite penalties.

The National Ordinance Reporting Unusual Transactions establishes an “unusual transaction” reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the financial intelligence unit (FIU) on any transaction that appears unusual (applying a broader standard than “suspicious”) or when there is reason to believe a transaction is connected with money laundering or terrorism financing. If, after analysis of an unusual transaction, a strong suspicion of money laundering or terrorism financing arises, those suspicious transactions are reported to the public prosecutor’s office.

In 2014, an independent auditor, commissioned by the Governor of Sint Maarten, released a report on the integrity architecture of the government. According to the report, Sint Maarten currently faces a substantial shortcoming in accountability that is largely attributable to a lack of enforcement across a full spectrum of integrity-related laws, policies, and procedures.

In July, Sint Maarten’s FIU reported that hundreds of unusual financial transactions investigations are backlogged at the Sint Maarten Public Prosecutor’s Office. Approximately 1,138 reports totaling \$243 million have not been investigated.

The harbor of Sint Maarten is well known for its cruise terminal, one of the largest on the Caribbean islands. The local container facility plays an important role in the region. Larger container ships dock their containers in Sint Maarten where they are picked up by regional feeders to supply the smaller islands surrounding Sint Maarten. Customs and law enforcement authorities should be alert for regional smuggling and trade-based money laundering and value transfer schemes.

In March, 2015 a judge of the Court of First Instance convicted a brothel owner who is a former member of Parliament, the club’s manager, and a companion on charges of money laundering, tax evasion, bribery, and trafficking in persons.

Sint Maarten has a tax information sharing network with 88 jurisdictions. In 2015, Sint Maarten made some improvements to its legal framework, which now ensures the availability, access, and exchange of information. However, there is a noted lack of oversight and enforcement of this legal framework. In practice, there is also limited use of compulsory powers.

The Mutual Legal Assistance Treaty between the Kingdom of the Netherlands and the United States extends to Sint Maarten. As part of the Kingdom of the Netherlands, Sint Maarten cannot sign or ratify international conventions in its own right. Rather, the Kingdom may arrange for the ratification of any convention to be extended to Sint Maarten. The 1988 Drug Convention was extended to Sint Maarten in 1999. In 2010, the UN Convention against Transnational Organized Crime was extended to Sint Maarten, and the International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Sint Maarten. The UN Convention against Corruption has not yet been extended to Sint Maarten.

## **Somalia**

In 2013, Somalia and the international community endorsed a New Deal Compact that outlines peace and state-building goals aimed at helping Somalia become more accountable to the people of Somalia in instituting political, financial, health, and security reforms. In 2015, the Federal Government of Somalia committed itself to a slate of reforms, including improving fiscal transparency and budgeting processes. To improve fiscal transparency and build a nascent banking sector, the Central Bank of Somalia implemented reforms, including granting interim licenses to six banks and nine money transfer organizations, installing a Treasury Single Account, and developing internal procedures for banking supervision, including on and off site inspections.

Somalia's financial system is informal, operating mostly outside of government oversight, either via the black market or unsupervised money remittance firms (hawaladars). An estimated \$1.3 billion in remittances is sent to Somalia every year, primarily by the Somali diaspora that fled the country during two decades of conflict. That amount is roughly one quarter of Somalia's gross domestic product, eclipsing all international aid to the country (projected at about \$1 billion in 2015). Most remittances are routed through financial centers in the Gulf. The World Bank estimates 40 percent of all Somalis depend on remittances for their basic needs.

With its long land borders and extensive coastline, the smuggling of currency and goods into and out of Somalia remains common, due mainly to customs and border security officials' lack of capacity to control points of entry. The UN Security Council reports piracy has declined significantly, with no large commercial vessels hijacked or held for ransom by Somali pirates in the last two years, resulting in a decrease of ransom payments.

Corruption is endemic, providing opportunities for rampant money laundering. For example, media and advocacy groups have reported that some government officials in Somalia's Jubbaland benefited from illegal charcoal exports and possibly helped to transfer profits to foreign destinations.

The African Union Mission in Somalia (AMISOM) and the Somali National Army (SNA) made progress clearing al-Shabaab from areas of south central Somalia. However, al-Shabaab continues to threaten Somalia and the region and raises funds through multiple sources, including public taxation and extortion of local businesses and private citizens in areas controlled by al-Shabaab; donations from Somali and non-Somali sympathizers, both inside Somalia and abroad;

kidnapping for ransom; and sharing in the illicit charcoal and sugar trade in southern Somalia. Al-Shabaab also taxes charcoal production before the bags reach ports for export, and it has a stake in the market value of the cargo when it reaches its destinations in the Middle East. Al-Shabaab's revenues from the charcoal trade are declining, according to a UN report, increasing the group's focus on other revenue-generating activities. Despite the existing UN ban on the export of charcoal from Somalia, in its 2014 report, the UN Somalia and Eritrea Monitoring Group estimates al-Shabaab received an estimated \$7.5 – 15 million in revenue from checkpoints on illegal charcoal exports. Al-Shabaab moves some funds via cash couriers, but a significant portion reportedly passes through hawala networks and other money or value transfer services.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* Not applicable  
*Are legal persons covered:* *criminally:* Not applicable *civilly:* Not applicable

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* NO *Domestic:* NO  
*KYC covered entities:* None

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* Not applicable  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Not applicable

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 0  
*Convictions:* 0

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* *MLAT:* NO *Other mechanism:* NO  
*With other governments/jurisdictions:* NO

Somalia is not a member of a FATF-style regional body (FSRB).

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

While Somalia continues to stabilize politically, government institutions are weak and state capacity is severely constrained.

In December 2015, Somalia's parliament passed key AML/CFT legislation, an important step in establishing a functioning, regulated, and supervised financial system in Somalia. As of yearend 2015, this legislation is not yet signed into law. Somalia maintains very limited investigative and enforcement capacity related to predicate crimes. Somalia's penal code, based on the 1930 Italian penal code, does not include any provisions or penalties addressing money laundering or terrorist financing. This deficiency should be rectified once the new legislation becomes law. The key obstacles to implementing Somalia's new AML/CFT law include the federal government's limited control over parts of southern and central Somalia beyond Mogadishu; a lack of legal and financial expertise among Somalia's central bankers and Finance Ministry technocrats; pressing security threats to the government, including from al-Shabaab; a lack of capacity at all levels of government; and insufficient enforcement, policing, and investigative capacity. The Central Bank of Somalia is receiving technical assistance on the risk-based approach to supervision.

Somalia lacks a formal financial sector, with the exception of interim commercial banks. Somalia has no fully functioning government regulatory/supervisory agencies to oversee its financial sector, thereby allowing money transmitters and hawaladars to operate without any customer due diligence or suspicious transaction reporting requirements. Somalia imposes no financial record-keeping requirements. To the extent that international standards are applied in Somalia, they are self-imposed by money transmitters, hawaladars, and other businesses that must abide by those standards to do business elsewhere in the world. Most money remittance companies, for example, use commercial software which flags possible name matches between customers and the individuals and entities on the UNSCR 1267 Sanctions Committee's consolidated list. Merchant's Bank in California, one of the largest banks to service Somali money transmitters in the United States, discontinued service in 2015.

Since the collapse of the state in 1991, Somalis have relied primarily on customary and sharia legal systems to adjudicate disputes. A legal system with both civilian and military courts nominally operates under the federal government, but existing laws are difficult to enforce, given the weak capacity of judicial and law enforcement institutions and general instability.

In theory, the police reportedly are responsible for investigating financial crimes. The police lack the capacity, including financial, technical, and human resources, to investigate suspected money laundering and/or terrorism financing. No government entity is charged with, or capable of, tracking, seizing, or freezing either the proceeds of crime or terrorist assets. Somalia has no laws requiring forfeiture of the proceeds of crime or terrorist assets. The federal government has called on interim regional governments to help stem the flow of terrorism financing, including requesting local governments to trace, freeze, and seize funds believed to be related to al-Shabaab financing.

During 2015, the government made public commitments and took limited steps to improve transparency in its public financial management to reduce endemic corruption. The government increased cooperation with the Financial Governance Committee, a body mandated to review concession and public procurement contracts at or above a value of \$5 million. The Ministry of

Finance has increased its cooperation with the international donor community to implement public financial management reforms.

Somalia has observer status to the Middle East and North Africa Financial Action Task Force, a FSRB. Although Somalia is not a party to either the UN Convention against Transnational Organized Crime or the UN Convention against Corruption, Somalia has cooperated with foreign law enforcement on investigations concerning suspected terrorists, kidnapping, and piracy and terrorist attacks committed both inside and outside Somalia. Somalia has no mechanisms in place under which to share information related to financial crimes, money laundering, and terrorism financing with other countries but has indicated an interest in collaboration. Somalia does not have a bilateral treaty with the United States concerning extradition.

Somalia should combat corruption, enhance its ability to cooperate with international partners, and take all necessary steps to become a member of an appropriate FSRB. As an urgent matter, Somalia should criminalize both money laundering and terrorism financing and sign into law the AML/CFT law passed by the Parliament. The government should work toward equipping its law enforcement and judicial authorities with the resources and capacity – staffing, budget, and training – to investigate and prosecute financial crimes. Although the government has significantly increased the amount of revenue it collects, it lacks resources necessary to effectively improve government capacity and will continue to rely heavily on donors.

## Spain

Spain is proactive in identifying, assessing, and understanding its money laundering risks and works to mitigate these risks. Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and Central and South America. The most prominent means of laundering money are through the purchase and sale of real estate, the use of complex networks of companies and legal arrangements, the exploitation of money or value transfer services, and the use of cash couriers.

The major sources of criminal proceeds are related to drug trafficking, organized crime, customs fraud, human trafficking, counterfeit goods, and financial support for terrorism. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities continue to cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; money exchangers or transmitters; realty agents; dealers in precious metals, stones, antiques, and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 4,637 in 2014

*Number of CTRs received and time frame:* 1,503,662 in 2014

*STR covered entities:* Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents, and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming, and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 64 in 2014

*Convictions:* 186 in 2014

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Spain is a member of the FATF. Its most recent mutual evaluation can be found at:  
<http://www.fatf-gafi.org/countries/s-t/spain/documents/mer-spain-2014.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Spain has long combated both domestic and foreign terrorist organizations, and Spanish law enforcement entities have identified various threat finance vulnerabilities, including donations to finance nonprofit organizations; establishment of publishing companies that print and distribute books or periodicals for propaganda purposes; fraudulent tax and financial assistance collections; the establishment of “cultural associations;” and alternative remittance system transfers. Other outlets such as small convenience stores and communication centers often act as money service businesses (MSBs), offering wire transfer services and moving money in and out of Spain by making small international transfers for members of immigrant groups. Spanish regulators also note the presence of hawala networks in the Muslim community. While AML/CFT supervision of banks appears to be robust, significant gaps regarding the identification of unlicensed operators, and the supervision of money or value transfer services operating under EU passport rules remain.

All offenses punishable by more than three months imprisonment are predicate offenses for ML. A stand-alone terrorist financing offense was added to Spain’s Penal Code in 2010 which enables terrorist financing activity to be pursued separate from any other collaboration, involvement or membership in a terrorist organization. As of 2014, no convictions have been obtained under this offense, but prosecutions are underway. The level of sanctions is standard with international norms, but in practice, prison sentences being levied against terrorist financiers are low.

In 2015, Spanish police, working with Europol, dismantled a large organized Chinese money laundering network which laundered approximately \$337 million in the past six years, mostly in countries in southern Europe. The Chinese group imported counterfeit products into the EU using fake documents and sold the goods without declaring excise taxes. The group also owned several garment factories in the Madrid area where Chinese workers were allegedly exploited. The Chinese money laundering networks reportedly offered to assist other organized criminal groups launder their illicit proceeds in exchange for a percentage of the funds.

The authorities and financial institutions consider the use of large cash sums a significant risk indicator of money laundering, notably related to tax avoidance. In 2014, 39 million euros (approximately \$47.1 million) were seized in 783 interventions, and 30 million euros (approximately \$33 million) in penalties were imposed. Spanish law does not allow civil forfeiture, but it has recognized and enforced foreign non-conviction based confiscation judgments presented by other countries.

Spain continues to work toward implementing Article 43 of its AML/CFT Law that creates a “Financial Ownership File,” a database that will have the date of account opening, the name of the account holder, the name of the beneficial owner, the name of the financial institution, and the branch location for all bank and securities accounts in Spain. The database is housed at the Bank of Spain, but will be under the control of the financial intelligence unit, and will be available to law enforcement. All specified financial institutions will be required by law to provide the prescribed database information at regular intervals. It should be fully operational by 2016.

A number of different types of money laundering cases have been prosecuted, including those involving third party money laundering, self-laundering, and laundering the proceeds of both

domestic and foreign predicate offenses. Spain has had success in disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions actually imposed for money laundering offenses is a weakness, as is the limited capacity to handle complex money laundering cases in the judicial system in a timely fashion. Spain should take steps to identify and license all MSBs and ensure they are adequately supervised for AML/CFT.

## Switzerland

Switzerland is a major international financial center. The country's central geographic location; political neutrality; relative social and monetary stability; sophisticated financial services sector; increasing presence in precious metals refinement; and long tradition of banking secrecy all contribute to Switzerland's success, while also making Switzerland a prime target for money laundering abuse.

Reports indicate criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide, including financial crimes, narcotics trafficking, arms trafficking, organized crime, and terrorism financing. Switzerland has been a favored venue for kleptocrats to stash ill-gotten funds. Foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America, and West Africa, dominate narcotics-related money laundering operations in Switzerland. According to a 2015 national assessment of the money laundering and terrorist financing risks in Switzerland drawn up by an interdepartmental working group, the main threats for the Swiss financial sector are "fraud, embezzlement, corruption, and participation in a criminal organization."

There are currently 21 casinos in Switzerland. Every casino must obtain a concession from the Federal Council (the highest authority of the executive branch) that needs to be renewed every 20 years. While casinos are generally well regulated, there are concerns they are being used to launder money. Corrupt casino employees also are known to have facilitated drug money laundering activities.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

**Enhanced due diligence procedures for PEPs:** *Foreign:* YES *Domestic:* YES  
**KYC covered entities:** Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; investment companies; insurance companies; casinos; financial intermediaries; commodities traders; and investment advisors

**REPORTING REQUIREMENTS:**

**Number of STRs received and time frame:** 1,753 in 2014

**Number of CTRs received and time frame:** Not applicable

**STR covered entities:** Banks; securities and insurance brokers; money exchangers or remitters; financial management firms and wealth managers; casinos; financial intermediaries; and investment advisors

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 687 in 2014

**Convictions:** 57 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** *MLAT:* YES *Other mechanism:* YES

**With other governments/jurisdictions:** YES

Switzerland is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/#Switzerland>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Within Switzerland, there is a lack of adequate regulation of some designated non-financial business sectors, such as real estate, jewelry, luxury cars, dealers of works of art and antiquities, and commodities like oil, gas, and gold.

As of December 31, 2015, a new legal framework will be in force in Switzerland and target companies issuing bearer shares. The new framework requires such companies to identify beneficial owners owning at least 25 percent of the company's shares and/or voting power and to freeze suspicious assets without informing the owners. In the wake of the arrests of several members of the Federation International Football Association (FIFA) in May, the Swiss Parliament changed domestic anti-corruption laws to cover international sports associations. The law will allow the authorities to criminally investigate sports officials, identify them as politically exposed persons (PEPs), and apply KYC rules to them. Corruption against private persons will be considered an official crime and therefore not require a plaintiff to be investigated by Swiss authorities.

On November 18, 2015, the Swiss Federal Council also introduced a stricter regime for the country's approximately 250 freeports storing goods estimated at \$100 billion. The new rules will require freeport operators to identify the beneficial owner of diamonds, precious metals, watches, and pieces of art. Under the new regulations, there is now a six-month time limit on the storage of goods intended for export. The deadline can be extended if proper grounds are

determined. A 2013 report by the Swiss Federal Audit Office determined that the long-term storage of goods with great value in freeports was indicative of illegal storage for the purpose of tax optimization or to circumvent trade regulations on cultural goods or weaponry.

Persons physically transferring money worth more than \$10,600 into or out of Switzerland must specify its origins, its future destination, and its owner, but only if asked by the Swiss authorities.

Switzerland's role as a global commodities trading hub is increasing. Switzerland is the world's largest trading hub for crude oil and iron ore and is a premiere location for gold refining. Swiss customs and law enforcement authorities should examine the link between commodities and trade-based money laundering. Swiss authorities should take steps to regulate all designated non-financial businesses and professions in accordance with international standards.

## Taiwan

Taiwan's modern financial sector, strategic location within the Asia-Pacific international shipping lanes, expertise in high-technology production, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud. Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes.

Official channels exist to remit funds, which greatly reduce the demand for unofficial remittance systems; however, although illegal in Taiwan, a large volume of informal financial activity takes place through unregulated, and possibly organized crime-linked, non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector, which are regulated by Taiwan's Central Bank and the Financial Supervisory Commission. There is no significant black market for smuggled goods in Taiwan.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** Combination approach

***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** NO

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank

of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 6,890: January - October 2015

*Number of CTRs received and time frame:* 4,107,745: January - October 2015

*STR covered entities:* Banks; trust and investment corporations; credit cooperative associations; credit departments of farmers' and fishermen's associations; Agricultural Bank of Taiwan; postal service institutions that also handle financial transactions; negotiable instrument finance corporations; credit card companies; insurance companies, agents, and brokers; securities brokers; securities investment and trust enterprises; securities finance enterprises and investment consulting enterprises; securities central depositories; futures brokers; trust enterprises; retail jewelers; and third party payment service businesses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 68: January - October 2015

*Convictions:* 7: January - October 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/documents/search-results.aspx?keywords=chinese+Taipei>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Taiwan is not yet in full compliance with international standards. While Taiwan criminalizes the financing of terrorist activities, it is not an autonomous offense. There are also significant gaps in Taiwan's asset freezing regime and implementation of UNSCRs 1267 and 1373; deficiencies in customer due diligence (CDD) regulations, including in identifying and verifying customer identity; and the threshold for a serious money laundering offense is too high. The Money Laundering Control Act (MLCA) does not specifically provide for the civil coverage of legal persons. Furthermore, Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering and terrorism financing activity.

The responsible agency governing jewelry stores is the Department of Commerce within the Ministry of Economic Affairs, and it is unclear if this department has the capacity to audit jewelry stores. The authorities are not keeping statistics on jewelry store-related money laundering cases.

In 2014, Taiwan assisted U.S. law enforcement authorities and agreed to freeze a bank account containing nearly \$16 million in illicit proceeds tied to a trade-based money laundering scheme in Los Angeles involving Mexican drug cartels and the importation of garments and textiles into the United States. It was the first time Taiwan had facilitated a significant asset seizure as part of a U.S.-based criminal investigation.

The United States and Taiwan, through their respective legal representatives, are parties to the Agreement on Mutual Legal Assistance in Criminal Matters Between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. There is no extradition treaty in force between Taiwan and the United States. Taiwan is unable to ratify conventions under the auspices of the UN because it is not a UN member. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Taiwan should pass legislation to criminalize the financing of terrorism as an autonomous crime, clarify that the law covers terrorism-related activities conducted overseas, establish procedures to allow the freezing of terrorist assets without delay, and continue to address CDD concerns. Taiwan should exert more authority over non-profit organizations and should raise awareness of the vulnerabilities to terrorism financing of this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs and the non-profit sector within the scope of its AML/CFT coverage. Proposed legislative amendments to Taiwan's MLCA address a number of these deficiencies, but remain only in draft form.

## Thailand

Thailand is a centrally located Southeast Asian country with extremely porous borders. Thailand is vulnerable to money laundering within its own economy, as well as to many categories of cross-border crime, including illicit narcotics, wildlife trafficking, and other contraband smuggling. Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents. The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country's financial system. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. In the informal money changing sector, hawaladars service Middle Eastern travelers in Thailand. Thai and Chinese underground remittance systems are also prevalent.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT***

**AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:** NO

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Commercial and state-owned banks, finance and personal loan companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antique shops, electronic card and payment businesses, credit card businesses

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 11,384: October 1, 2014 – August 31, 2015  
*Number of CTRs received and time frame:* 1,114,032: October 1, 2014 – August 31, 2015  
*STR covered entities:* Commercial and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, mortgage finance companies, land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, and electronic payment and credit card companies

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 15: October 1, 2014 - November 5, 2015  
*Convictions:* 0: October 1, 2014 - November 5, 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

Thailand is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found at:

<http://www.apgml.org/members-and-observers/members/member-documents.aspx?m=6ff62559-9485-4e35-bf65-305f07d91b05>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

On October 9, 2015, Anti-Money Laundering Act (AMLA) No. 5 went into effect. In addition to adding offenses related to human trafficking and online gambling to the list of predicate offenses, this act calls for the Anti-Money Laundering Office (AMLO), which serves as Thailand’s financial intelligence unit, to now report directly to the Prime Minister. AMLO’s responsibilities and scope are expanded to include the authority to formulate joint action plans in

collaboration with other relevant agencies; the authority to promote public engagement; the authority to change the composition and duties of the Anti-Money Laundering Board so as to be more effective in decision making; the authority to empower the transaction committee to issues guidelines for more effective implementation; and an expanded scope of examination and supervision duties for AMLO, to include money laundering/financial transactions national risk assessments, as well as the ability to share risk assessment results with supervisory and other relevant agencies. The AMLA No. 5 also strengthens the reporting regime and KYC and customer due diligence measures and applies them to all designated non-financial businesses and professions, such as real estate agents and precious metal and stone dealers; adds persons who provide legal remittance and currency exchange as reporting entities; expands the money laundering offense to cover persons who obtain, possess, or use assets, knowing at the time that they are connected with the commission of a predicate offense; and establishes measures allowing for the return, or repayment of the value of, assets connected with commission of an offense to the damaged person, as well as witness protection. AMLA No. 5 also allows international asset sharing and recovery.

AMLO is further expected to name tax evasion as a predicate offense and to address cross-border bulk cash movement. AMLO is in the process of formulating the amendment. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as well as criminal enforcement.

On September 9, 2015, Counter Terrorism Act No. 2 B.E. 2558 (CTA No. 2) went into effect, replacing the original Counter Terrorism Act. CTA No. 2 includes amended Rules and Procedures for Notifications of Designations in accordance with UNSCR standards. Specifically, the law was amended to streamline the process for adopting the UNSCR list; empower AMLO to keep monitoring UNSC designation notifications; require AMLO to order designation of persons and entities without delay when AMLO deems such notification does not go against the Thai constitution or law; removing the stipulation that a person or entity's terrorist involvement up to the day of the court's decision must be proven in order for the civil court to order designation of that person or entity on the Thai domestic list; require AMLO to continue to publish both UN and domestic designations but to only serve notice of the designation to those on the domestic list; and make holders of assets of a designated person or entity, agents of the designated person or entity, or undertakings controlled by the designated person or entity subject to sanctions if they fail to follow asset freezing orders.

## Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. With the exception of last three years, Turkey's economy has grown rapidly, and its GDP has quadrupled in size since 2001. This rapid growth, combined with Turkey's commercial relationships and geographical proximity to unstable, conflict ridden areas like Iraq, Syria, and Crimea makes Turkey vulnerable to money laundering and terrorist finance risks. It continues to be a major transit route for Southwest Asian opiates moving to Europe. In addition to narcotics trafficking other significant sources of laundered funds include smuggling, invoice fraud, tax evasion, and to a lesser extent, counterfeit goods, forgery, highway robbery, and kidnapping. Terrorism financing is present, particularly in

the form of cash flows across Turkey's southern border into Syria; and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are present in Turkey. Turkey's nonprofit sector remains vulnerable to terrorism financing. Recent conflicts at the southern border of Turkey have increased the risks for additional sources of terrorism financing and money laundering attached to human trafficking and oil and antiquities smuggling from the region to Europe.

Money laundering takes place in banks, non-bank financial institutions, and the informal economy. According to Turkish government officials, between one-quarter and one-third of economic activity is conducted by unregistered businesses. Money laundering methods in Turkey include the large scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* NO *Domestic:* NO  
*KYC covered entities:* Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the Turkish

Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 61,372: January 1 - November 21, 2015

*Number of CTRs received and time frame:* Not applicable

*STR covered entities:* Banks; bank or credit card issuers; authorized exchange houses; money lenders; financing and factoring companies; capital markets brokerage houses, futures brokerages, portfolio management companies, and investment fund managers; investment partnerships; insurance, reinsurance, and pension companies, and insurance and reinsurance brokers; financial leasing companies; capital markets settlement and custody service providers; the Presidency of the Istanbul Gold Exchange (custody services only); General Directorate of Post and Cargo Companies; asset management companies; Islamic financial houses; dealers of precious metals, stones, and jewelry; Directorate General of the Turkish Mint (gold coin minting activities only); precious metals exchange intermediaries; buyers, sellers, and intermediaries of immovable property transactions made for trading purposes; dealers of all kinds of sea, air, and land transportation vehicles and construction equipment; dealers and auction houses dealing with historical artifacts, antiques, and art; lottery and betting organizations, including the Turkish National Lottery Administration, the Turkish Jockey Club, and Football Pools Organization Directorate; sports clubs; notaries; lawyers; accountants; and audit institutions

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available

*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

Turkey is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/s-t/turkey/>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Although Turkey's legislative and regulatory framework for addressing money laundering has improved, Turkey's investigative powers, interagency cooperation, law enforcement capability, oversight, and outreach are weak and lacking in many of the necessary tools and expertise to effectively counter this threat through a comprehensive approach; these areas need to be strengthened.

The Coordination Board for Combating Financial Crimes assigned the Financial Crimes Investigation Board (MASAK), Turkey's financial intelligence unit, to coordinate the national risk assessment in Turkey. To this end, MASAK determined contact points from relevant institutions, organized a study visit to Spain in 2014, and continues interagency consultations and studies in order to draft an assessment document.

With the entry into force, on March 30, 2015, of the Regulation on Principles and Procedures for MASAK's Electronic Notification to Obligated Parties, MASAK will be able to communicate with covered entities in a timely manner and implementation of the mechanism for freezing assets without delay will be accelerated. Moreover, in February 2015, MASAK introduced a guidance circular, Guidance on Suspicious Transaction Reporting for Factoring and Leasing Companies, that improved its capacity for oversight. MASAK has improved its capacity to collect and analyze financial information by further investing in IT infrastructure and human capital. MASAK continues to increase education efforts for financial institutions. A new Efficiency in Anti-Money Laundering and Combating Financing of Terrorism project officially started in March 2015, with donor assistance.

Turkey's nonprofit sector is not audited on a regular basis for terrorism financing activity and does not receive adequate AML/CFT outreach or guidance from the government. The General Director of Foundations issues licenses for and oversees charitable foundations. However, there are an insufficient number of auditors to cover more than 70,000 institutions.

Other significant weaknesses exist in Turkey's AML/CFT regime that should be addressed. These include: making politically exposed persons (PEPs) subject to enhanced due diligence; ensuring cross-border wire transfers and cash transfers are recorded in accordance with international standards; ensuring designated non-financial businesses and professions are scrutinized and are subject to reporting requirements; continuing to increase the capacity of MASAK to engage in greater data collection and analysis; and improving interagency cooperation to assure a comprehensive implementation of existing laws and regulations. To improve the deficiencies in its AML/CFT framework and implementation, Turkey will need to invest additional resources.

Turkey has not kept adequate statistics on prosecutions and convictions since 2009. Subsequently, Turkey's record of official investigations, prosecutions, and convictions is unclear. No data was available for 2014. In 2015, MASAK referred to public prosecutors 387 individuals based upon a suspicion of money laundering and 61 individuals based upon a suspicion of terrorism. Turkey has no civil asset forfeiture procedures and its criminal procedures and practices are primitive.

Turkey should provide the necessary resources and capacity to adequately supervise its nonprofit sector. The government should introduce more transparency and accountability in its AML/CFT regime by resuming its retention and reporting of statistics related to prosecutions and convictions. Turkey also should continue to take steps to implement its legal framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373, to prevent terrorist groups in Iraq and Syria from benefiting from trade in oil, antiquities, and hostages, and from receiving donations under UNSCR 2199.

## **Ukraine**

Although Ukraine is not a regional banking or financial center, and despite several international banks pulling out of the country, it does have close ties with European banking networks. Illicit

proceeds are primarily generated through corruption; fraud; trafficking in drugs, arms, and persons; organized crime; prostitution; cybercrime; and tax evasion. Money launderers use various methodologies, including real estate, insurance, bulk cash smuggling, financial institutions, and shell companies. Few Ukrainian businesses are owned transparently. The British Virgin Islands, Cyprus, and other offshore tax havens are often used to obscure ownership, evade taxes, or mask illicit profits.

Ukraine's large shadow economy represents a significant money laundering vulnerability. Conducted in cash with little records or oversight, transactions in the grey economy make it relatively easy to launder money in Ukraine and deprive the government of tax revenue. The use of the informal economy is linked to evasion of taxes and customs duties. Many Ukrainians work abroad and send remittances back to Ukraine via transfers or international payment systems; these remittances amounted to approximately \$2.2 billion in the first six months of 2015. Of this total, \$311 million arrived via informal channels. Additionally, there is a significant market for smuggled goods in Ukraine.

Endemic corruption in Ukraine is an additional factor that worsens the problem of money laundering. Furthermore, transnational organized crime syndicates utilize Ukraine as a transit country to launder their illicit profits to a third country. In the course of investigations conducted between March 2014 and September 2015, the State Financial Monitoring Service (FMS), Ukraine's financial intelligence unit, froze the equivalent of \$1.52 billion of funds reportedly related to large-scale corruption activities of the former government.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** All serious crimes  
***Are legal persons covered:*** ***criminally:*** YES ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** Not available

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banks, insurance companies, gaming institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers or foreign exchange, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, leasing providers, and private entrepreneurs

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 241 in 2014

**Convictions:** 156 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found at:

[http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine\\_en.asp](http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

In 2015, the Government of Ukraine took positive measures to reduce corruption. The country recently created the National Anti-Corruption Bureau and the Inspector General's Office and is working to reform the judiciary. Amendments to the Law on Banking enacted in February 2015 allow expedited liquidation of banks involved in money laundering and terrorist financing. The National Bank of Ukraine has shuttered seven banks since then under these measures.

Ukraine combines currency transaction reports (CTRs) and suspicious transaction reports (STRs) for statistical purposes. From January to September 2015, 2,873,485 reports were received, representing more than a three-fold increase over the same period last year. The reporting upsurge is attributed to increased focus on destabilizing threats in eastern of Ukraine.

While Ukraine has signed and ratified international treaties, implementation is often weak. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance, and asset forfeiture. The Rada voted on a draft law in November 2015 to establish a National Agency on Detection of Corruption Proceeds. The Rada still needs to give final approval to the draft and the President must then sign it. The Agency, when established, will be entrusted with drafting and signing international asset sharing agreements.

Cybercrime is an on-going problem in Ukraine. In 2015, a European joint investigative team working with Ukrainian counterparts uncovered a major cybercriminal group operating in the country. The enforcement action targeted high-level cybercriminals and their accomplices who are suspected of developing, exploiting, and distributing banking Trojan malware as well as channeling and cashing-out the proceeds of their crimes. The cybercriminals used malware to attack online banking systems in Europe and beyond, adapting their sophisticated banking

Trojans over time to defeat the security measures implemented by the banks. On digital underground forums, they actively traded stolen credentials, compromised bank account information, and malware, and sold their hacking ‘services.’ Tens of thousands of users’ computers were infected with banking Trojans with total damages estimated at over \$2 million.

Ukraine must address the rise of cybercrime and related transnational organized crime activities by better examining the significant amounts of money flowing into its banking system. Ukraine needs to increase prosecution of large-scale financial crimes, corruption, and money laundering schemes. It also should improve implementation of its provisions for asset freezing, confiscation, and forfeiture. Ukraine should enhance regulatory oversight of its gaming industry and examine how gaming is used to launder money and its possible relationship with regional organized crime. The government should investigate how informal money and value transfer networks are used not only for remittances, but for the transfer of illicit proceeds. Ukraine should enact its draft bill on international law enforcement cooperation in order to fully implement its treaty obligations.

## **United Arab Emirates**

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity. In recent years, its robust economic development, political stability, and liberal business environment have attracted an influx of people, goods, and capital, which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center that has aggressively sought to expand its financial services business.

Money laundering risks in recent years have increased commensurate with the growth of large numbers of exchange houses, hawaladars, and trading companies in the UAE. Furthermore, remittances are transferred through these establishments from non-nationals in the UAE, who comprise more than 80 percent of the population and often are unable to access the formal financial sector in their home countries. There are some indications trade-based money laundering occurs in the UAE, including through commodities used as counter-valuation in hawala transactions or through trading companies and that such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Pakistan, Iran, Iraq, Syria, Yemen, and Somalia. Activities associated with terrorist and extremist groups include both fundraising and transferring funds. Bulk cash smuggling is also a significant problem.

A portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia. Narcotics traffickers from Afghanistan, where most of the world’s opium is produced, are reported to be attracted to the UAE’s financial and trade centers. Domestic public corruption contributes little to money laundering or terrorism financing.

Other money laundering vulnerabilities in the UAE include the real estate sector, the misuse of the international gold and diamond trade, and the use of cash couriers to transfer illicit funds. The country also has an extensive offshore financial center, with 37 free trade zones (FTZs) and two financial free zones. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered

offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts. Activity in the Dubai International Financial Center, supervised by the Dubai Financial Services Authority, is largely from major international banks/institutions.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Banks, insurance companies, exchange houses, and securities traders

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 3,484: January 1 - December 11, 2014  
*Number of CTRs received and time frame:* Not available  
*STR covered entities:* Banks, insurance companies, exchange houses, and securities traders

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* Not available  
*Convictions:* Not available

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* *MLAT:* NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

The UAE is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <http://www.menafatf.org/images/UploadFiles/UAEOptimized.pdf>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The Government of the UAE continues to work on enhancing its AML/CFT program and has demonstrated its willingness and capability to take action against illicit financial actors. In November 2015, the Central Bank of the UAE (CBUAE), with assistance from the Dubai Police General Headquarters' Anti-Money Laundering Unit and the U.S. Drug Enforcement Administration, took action against a Treasury-designated money exchange that was supporting a money laundering racket.

The Securities and Commodities Authority (SCA) in September 2015 announced that it ordered all UAE-based securities and commodities brokerage companies to electronically connect with the CBUAE's Anti-Money Laundering and Suspicious Cases Unit (AMLSCU), the UAE financial intelligence unit (FIU). The procedure marks the first phase of SCA's plan to connect all SCA-licensed companies with the AMLSCU.

The Government of the UAE in 2014 amended its Anti-Money Laundering Law, expanding the list of ML predicate offenses to all serious crimes, among other improvements. The AML Law explicitly states that money laundering offenses are stand-alone offenses and that the punishment of the offender for committing the predicate crime shall not preclude also punishing the offender for money laundering. Further, the new AML Law states that a conviction for the predicate offence is not required for evidencing the unlawful source of the proceeds being laundered.

Several areas of AML/CFT implementation and enforcement require ongoing action by the UAE. The UAE should increase the capacity and resources it devotes to investigating ML/TF both federally at the AMLSCU and at emirate-level law enforcement. The AMLSCU also needs to enhance its financial information collection and sharing capability to support cooperative efforts with counterpart FIUs. The AMLSCU should also develop its analytical capacity. Additionally, enforcement of cash declaration regulations is weak. Law enforcement and customs officials should conduct more thorough inquiries into large declared and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws. Furthermore, the UAE should criminalize tipping off.

Law enforcement and customs officials should proactively develop money laundering cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAE should take action to establish appropriate policies and procedures regarding all aspects of asset forfeiture, including asset sharing. The UAE should release annual numbers of AML/CFT prosecutions and convictions so as to better gauge the effectiveness of its regime.

## **United Kingdom**

The United Kingdom plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system as banks and mainstream financial institutions have tightened their controls and increased their vigilance. Money exchanges; inbound and outbound cash smugglers; and gatekeepers, such as lawyers and accountants, are used to move and launder criminal proceeds. Also on the rise are credit/debit card fraud, internet fraud, and the purchase of high-value assets to disguise illicit proceeds. There are significant intelligence gaps, in

particular in relation to ‘high-end’ money laundering. This type of laundering is particularly relevant to major frauds and serious foreign corruption, where the proceeds are often held in bank accounts, real estate, or other investments rather than in cash. Underground alternative remittance systems, such as hawala, are also common.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** NO

***CRIMINALIZATION OF MONEY LAUNDERING:***

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civily:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* NO

*KYC covered entities:* Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 354,186: October 2013 – September 2014

*Number of CTRs received and time frame:* Not applicable

*STR covered entities:* Banks, credit unions, building societies, money service businesses, e-money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high-value goods dealers; and trust or company service providers

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

*Prosecutions:* 64: January 1 - September 30, 2014

*Convictions:* 56: January 1 - September 30, 2014

***RECORDS EXCHANGE MECHANISM:***

*With U.S.:* *MLAT:* YES *Other mechanism:* YES

*With other governments/jurisdictions:* YES

The United Kingdom is a member of the FATF. Its most recent mutual evaluation can be found at: <http://www.fatf-gafi.org/countries/u->

<z/unitedkingdom/documents/mutualevaluationofunitedkingdomofgreatbritainandnorthernireland.html>

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

The UK has a comprehensive AML/CFT regime and is an active participant in multilateral efforts to counter transnational financial crimes. The UK agreed to the EU's Fourth Anti-Money Laundering Directive in June 2015; it will be transposed into UK law by June 2017.

In 2015, the UK government published its first national risk assessment (NRA) with the aim of identifying, understanding, and assessing the ML/TF risks. The NRA confirmed that the UK's law enforcement agencies' primary expertise is cash-based ML, particularly cash collection networks, international controllers, and money service businesses, although some gaps in knowledge remain. This is a result of the resources law enforcement agencies have invested over a number of years in tackling cash-based ML and narcotics trafficking, which have long been recognized as posing high ML risks.

In 2015, the Government of the United Kingdom committed to an action plan to follow up on the NRA's findings. The action plan sets out how the government will increase collaboration among law enforcement agencies, supervisors, and the private sector; fill intelligence gaps and strengthen the law enforcement response; remove inconsistencies in the supervisory regime; and increase the international reach to tackle money laundering.

The UK supervises both financial institutions and designated non-financial businesses or professions (DNFBPs) for AML/CFT compliance. There are currently 27 AML/CFT supervisors in the UK. The supervisors include large global professional bodies, smaller professional bodies, and a number of public sector statutory organizations. Her Majesty's Treasury has developed a voluntary reporting process for supervisors in the UK. The Annual Report on AML/CFT supervision is intended to improve the transparency and accountability of supervision and enforcement in the UK and encourage good practice.

In 2015, the UK launched a pilot Joint Money Laundering Intelligence Task Force, which brings together 10 banks and key UK law enforcement agencies to collaborate on the detection and disruption of money launderers. In the pilot phase, seven people have been arrested, £7.8 million (approximately \$8.4 million) of criminal money has been frozen, and over 350 suspicious accounts have been identified.

The Financial Conduct Authority (FCA) is in charge of consumer protection and the integrity of the UK's financial system. The FCA has changed its approach to AML supervision, which is now more risk based. The FCA is now more proactive, working closely with regulatory and industry stakeholders to identify current and emerging financial crime risks and ensure that banks are aware of their implications and how to mitigate them. Since 2012, the FCA has taken formal enforcement action against eight firms and individuals in response to AML failings, with fines totaling approximately £24 million (approximately \$37 million). It currently has seven AML cases under investigation.

In March 2015, the UK passed legislation to establish a central public register of company beneficial ownership information. The register will be a freely accessible, searchable, single online source of information about the ultimate owners and controllers of UK companies. Law enforcement agencies can use the information as an accessible source of intelligence and evidence in their investigations. The central public register also will enable citizens and businesses both in the UK and other countries to identify who owns and controls the companies they are doing business with. The public sector will be able to use the information to support inquiries into corruption, money laundering, and other criminal activities. The register also may be used by covered entities as part of their customer due diligence (CDD) checks, but it cannot be relied upon, nor does it replace the obligation to perform CDD. UK companies will be required to obtain and hold their beneficial ownership information beginning in April 2016. They will be required to file that information with the central public register with the UK registrar of companies from June 2016. There will be sanctions and penalties for failing to comply with the register requirements, such as imprisonment of up to two years.

In June 2014, the Crown Prosecution Service Proceeds of Crime team was established to prioritize and streamline confiscation work, although responsibility for asset recovery is divided among different UK agencies. The UK is enhancing its international reach in asset recovery and provides technical assistance to other jurisdictions.

The UK should consider changing its rules to ensure domestic politically exposed persons (PEPs) are identified and, if appropriate, subject to enhanced due diligence requirements in accordance with international recommendations.

## Uruguay

Although the Government of Uruguay continued to take affirmative steps in 2015 to counter money laundering and terrorism financing activities and made progress in enforcement, Uruguay remains vulnerable to these threats. Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 80 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Officials from the Uruguayan police and judiciary assess that Colombian, Mexican, and Russian criminal organizations are operating in Uruguay. There is continued concern about transnational organized crime originating in Brazil. Since 2013, there have been at least five high-profile money laundering cases, including one related to FIFA and several linked to alleged laundering of funds from Peru, Argentina, and Spain.

Laundered criminal proceeds derive primarily from foreign activities related to drug trafficking organizations. Drug dealers also participate in other illicit activities like car theft and human trafficking, and violent crime is increasing significantly. Publicized money laundering cases are primarily related to narcotics and/or involve the real estate sector. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. Uruguay has porous borders with Argentina and Brazil and, despite its small size, price differentials between Uruguay and neighboring countries support a market for smuggled goods. Bulk cash smuggling and trade-based money laundering occur.

Given the longstanding free mobility of capital in Uruguay, money is likely laundered via the formal financial sector (onshore and offshore). Offshore banks are subject to the same laws, regulations, and controls as local banks, with the government requiring licenses through a formal process that includes a background investigation of the principals. The three offshore banks operating in Uruguay cannot initiate new operations since they are in the process of being liquidated. Offshore trusts are not allowed. There are twenty representatives of offshore financial entities. Bearer shares may not be used in banks and institutions under the authority of the Central Bank of Uruguay, and any share transactions must be authorized by the central bank. Uruguay's offshore financial services cater primarily to Latin American clients, especially to middle class Argentinians.

There are 12 free trade zones (FTZs) located throughout the country. Three FTZs accommodate a variety of tenants offering a wide range of services, including financial services; two were created exclusively for the development of the pulp industry; one is dedicated to science and technology; and the rest are devoted mainly to warehousing. Some of the warehouse-style FTZs and Montevideo's free port and airports are used as transit points for containers of counterfeit goods (generally manufactured in China) or raw materials bound for Brazil and Paraguay.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.:*** YES

***CRIMINALIZATION OF MONEY LAUNDERING:***

***“All serious crimes” approach or “list” approach to predicate crimes:*** List approach  
***Are legal persons covered:*** ***criminally:*** NO ***civilly:*** YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

***Enhanced due diligence procedures for PEPs:*** ***Foreign:*** YES ***Domestic:*** YES  
***KYC covered entities:*** Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other persons who carry out financial transactions or manage commercial companies on behalf of third parties

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 290: January – October 2015  
***Number of CTRs received and time frame:*** 7,607,016: January – October 2015  
***STR covered entities:*** Banks; financial services firms (which can offer credits and diverse financial services but not deposits); financial houses (which can loan to residents but only receive deposits from non-residents); offshore financial institutions; financial cooperatives; private loan consortia; credit providers; exchange houses; representatives of offshore financial firms; wire companies; companies providing administration, accounting and data

processing services; pension funds; insurance companies; stock exchanges; stock brokers; investment advisors; issuers of initial public offers; investment fund managers; financial trusts; professional trust managers; private companies with government's participation; casinos; real estate brokers, intermediaries, and developers; notaries; auctioneers; dealers in antiques, fine art, and precious metals or stones; FTZ operators and direct users; business dealers; and other persons or companies who carry out financial transactions or administer corporations on behalf of third parties

***MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:***

***Prosecutions:*** 51: January – October 2015

***Convictions:*** 7: January – July 2015

***RECORDS EXCHANGE MECHANISM:***

***With U.S.:*** ***MLAT:*** YES ***Other mechanism:*** YES

***With other governments/jurisdictions:*** YES

Uruguay is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.gafilat.org/UserFiles/documentos/es/evaluaciones\\_mutuas/Uruguay\\_3era\\_Ronda\\_2009.pdf](http://www.gafilat.org/UserFiles/documentos/es/evaluaciones_mutuas/Uruguay_3era_Ronda_2009.pdf)

***ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:***

Significant AML/CFT developments in 2015 include the inclusion of three articles in the quinquennial budget bill that task the Anti-Money Laundering Secretariat (AMLS) with the supervision of designated non-financial businesses and professions (DNFBPs). Law 19,355, enacted in December 2015, substantially enhances the supervisory and enforcement powers of the AMLS and should have the effect of increasing STR reporting by these entities, which have traditionally submitted few suspicious transaction reports (STRs). Staffing will almost triple to enable the AMLS to implement effective supervision over 20,000 new obligated entities.

Several programs continued in 2015 with the assistance of the international donors. One program seeks to upgrade Uruguay's money laundering risk assessment and its compliance with international standards. Other programs seek to enhance the effectiveness of Uruguay's AML investigations, improve the country's technological platform and statistical system, and provide better tools to the inter-institutional working groups. One donor is assisting the central bank to create a strategic analysis division within UIAF, the financial intelligence unit, and is also helping the UIAF to strengthen its capabilities to assess the risk of individual financial institutions. A risk-based matrix that was tested in ten institutions in 2015 will be implemented throughout the entire financial system in 2016. Following a 2014 decree, the UIAF started supervising providers of securities transportation and safety deposit boxes in 2015.

In 2015, Uruguay continued its strategy of increased transparency by eliminating approximately 85,000 bearer share corporations that failed to register the owners of their shares at the UIAF (about 30,000 corporations registered). Uruguay also began adhering to the automatic exchange of tax information with some jurisdictions and announced that, starting in 2017, it will begin an

automatic exchange of tax information with countries with which it has bilateral agreements. However, foreign authorities seeking information on their residents' undeclared bank accounts cannot easily discover evidence of malfeasance; they may only seek "confirmation" from Uruguay after a specific taxpayer and a related bank account have already been identified. Implementation of the new policy will require a major relaxation of Uruguay's longstanding bank secrecy policy.

In 2014, the Uruguayan Customs Authority created a working group on AML, and in 2015 Uruguay passed legislation that authorizes customs officials to impose significantly tighter controls over the FTZs. A financial inclusion law passed in May 2014 provides for mandatory payment of wages, pensions, and specified transactions by electronic means, thereby diminishing money laundering risks by increasing economic formalization. Following the new financial inclusion regulations, the UIAF started receiving daily reports for simplified savings accounts in 2015.

The government worked in 2015 to develop an integrated strategy against terrorism, which will be submitted to the parliament for approval in 2016. In early December 2015, the government will submit a bill to Parliament that would strengthen its anti-terrorism stance and clarify several points that were subject to interpretation. Also in 2015, an inter-ministerial working group continued analyzing the inclusion of tax evasion as a predicate crime for money laundering.

Uruguay has made progress in the collection and dissemination of statistics related to prosecutions, convictions, and the amount of seized assets related exclusively to AML/CFT cases. Money laundering prosecutions can take several years, and most end with a conviction. Uruguay is considering amending its legislation to allow for full non-conviction based forfeiture. At present, assets may be forfeited without the conviction of a person only in very narrow circumstances, including when the owner of the assets is missing or no owner can be found. Besides the convictions and prosecutions, in 2015 the UIAF froze assets on six occasions for a total of \$614,000, fined a real estate agent and a notary, and imposed sanctions on several financial institutions, one of which was closed.

Uruguay should amend its legislation to provide for criminal liability for legal persons. It also should continue improving its statistics related to money laundering, continue working with covered non-financial entities, and improve the management of seized assets and funds.

## Venezuela

Conditions in Venezuela make for ample opportunities for financial abuses. Venezuela's proximity to drug source points and its status as a drug transit country, combined with weak AML enforcement and lack of political will, limited bilateral cooperation, and endemic corruption, make Venezuela vulnerable to money laundering and financial crimes. The porous border between Venezuela and Colombia has also created a burgeoning black market. Furthermore, Venezuela's highly distorted multi-tiered foreign exchange system and strict price controls open numerous opportunities for currency and goods arbitrage, including to facilitate money laundering. Although the Venezuela-Colombia border was closed in August 2015 under the auspices of the Venezuelan government's "state of exception," nevertheless a robust black

market continues to function in the border regions. Colombian law enforcement and customs officials reported that more than 90 percent of commerce in the border region was related to black market goods and services. Illicit trade and illegal financial activity are common in the border regions. Laundered funds primarily come from drug trafficking, but informal traders offering products ranging from shampoo to gasoline are also profiting through currency manipulation. A series of recent U.S. legal actions against Venezuelan citizens have exposed questionable financial activities related to money laundering and terrorism finance.

Money laundering is widespread in Venezuela, and can be seen in a number of areas, including government currency exchanges, commercial banks, gambling, real estate, agriculture, livestock, securities, metals, the petroleum industry, and minerals. Trade-based money laundering remains a common and profitable method. One such trade-based scheme is the black market peso exchange, through which money launderers provide narcotics-generated dollars from the United States to commercial smugglers, travel agents, investors, and others in Colombia in exchange for Colombian pesos. In turn, those Colombian pesos are exchanged for Venezuelan bolivars at the parallel exchange rate and then used to repurchase dollars through the Venezuelan currency control regime at a much stronger official exchange rate. Sources report some black market traders ship their goods through Margarita Island's free trade zone (FTZ). Increased Venezuelan money laundering activity has also been reported in the FTZs of Panama and Ecuador. A more recent black market trade in bolivar currency notes has become increasingly profitable in the border states of Tachira and Zulia and neighboring states of Merida and Barinas.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES***

***CRIMINALIZATION OF MONEY LAUNDERING:***

*"All serious crimes" approach or "list" approach to predicate crimes:* All serious crimes  
*Are legal persons covered:*                      *criminally:* YES                      *civilly:* YES

***KNOW-YOUR-CUSTOMER (KYC) RULES:***

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES      *Domestic:* YES  
*KYC covered entities:* Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, financial groups, credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; notaries, public registration offices, and Venezuela's tax revenue office, Servicio Nacional Integrado de Administración Aduanera y Tributaria (SENIAT)

***REPORTING REQUIREMENTS:***

*Number of STRs received and time frame:* 862: January 1 – June 30, 2015

**Number of CTRs received and time frame:** 1,704,647,526: January 1 – June 30, 2015  
**STR covered entities:** Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; securities and insurance entities; casinos, bingo halls, and slot machine operators; notaries and public registration offices

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

**Prosecutions:** 274 in 2014

**Convictions:** 8 in 2014

**RECORDS EXCHANGE MECHANISM:**

**With U.S.:** **MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found at: <https://www.cfatf-gafic.org/index.php/member-countries/s-v/venezuela>

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

Since 2003 the Venezuelan government has maintained a strict regime of currency controls. Private sector firms and individuals must request authorization from a government-operated currency commission to purchase hard currency to pay for imports and for other approved uses (e.g., foreign travel). Government ministries that spend hard currency on public procurements also must request dollars from an intra-governmental committee coordinated by the central bank. Private sector banks and financial institutions cannot hold their own deposits of foreign currency, so virtually all dollars laundered through Venezuela's formal financial system pass through the government's currency commission, the central bank, or another government agency.

Venezuela's official exchange rate remains 6.3 bolivars per U.S. dollar, but the parallel exchange rate has increased to 873 bolivars per U.S. dollar. The huge margin achievable by defrauding the currency commission has reduced the incentive to traffic goods through duty exempt zones such as Margarita Island because the money saved by avoiding import taxes is insignificant when compared to the profit margins gained by trade-based schemes. According to banking compliance experts, trade-based schemes make it extremely difficult for banks to differentiate between licit and illicit proceeds. More recently, a sharp rise in the demand for 50 and 100 bolivar notes along the Colombian border has created a currency black market where these notes can earn up to 150 percent of their face value and provide a profitable way to launder proceeds. Venezuelan authorities have not revised Venezuela's CTR regulations to keep pace with Venezuela's high inflation. A 10,000 bolivar (approximately \$1,580 at the official exchange rate) withdrawal is now an ordinary transaction. The 10,000 bolivar threshold has been in effect since 2010.

Legal experts say 2014 revisions to the 2012 Organic Law Against Organized Crime and Financing of Terrorism are a step in the right direction, but they caution that the law lacks the

same mechanisms to combat domestic criminal organizations. The revision also provides government an enormous range of options to prosecute under an “organized crime” umbrella. The revision includes roughly 900 types of offenses that can be prosecuted as “organized crime.” One legal expert noted such a broad mandate gives the government too much power.

In November 2014, the Venezuelan government revised the Anti-Corruption Law and created a new law enforcement organization to combat corruption. The reform also creates a criminal penalty for bribes between two private companies. However, the law differentiates between private and public companies and includes exemptions for public companies and government employees.

In March 2015, the U.S. Department of Treasury’s Financial Crimes Enforcement Network (FinCEN) released a Notice of Finding (NOF) that identifies Banca Privada d’Andorra (BPA) in Andorra as a foreign financial institution of primary money laundering concern by Venezuelan officials. FinCEN reports BPA helped launder over \$4 billion from Venezuela, of which \$2 billion was “siphoned” from Petr6leos de Venezuela S.A.

In April 2015, an investigation conducted by *El Universo*, a newspaper in Ecuador, and the Miami-based *El Nuevo Herald*, exposed dozens of companies that made transfers to Ecuador in exchange for fake exports to Venezuela. The payments were deposited in banks in the United States and Panama before the merchandise arrived, and the shipments were never delivered. Panamanian officials report exporters had invoiced \$1.4 billion in shipments to Venezuela, of which \$937 million was for goods that never materialized.

In September 2015, judges in the Southern District of Florida unsealed indictments against Pedro Lu6s Mart6n, a former head of financial intelligence for Venezuela’s secret police, also known as Servicio Bolivariano de Inteligencia Nacional (SEBIN), and Jes6s Alfredo Itriago, a former antinarcotics official with Venezuela’s investigative police, also known as Cuerpo de Investigaciones Cient6ficas Penales y Criminal6sticas (CICPC). U.S. officials believe Itriago is a key connection between drug traffickers and members of Venezuela’s military, security services, and government, as well as a primary financial manager responsible for laundering drug trafficking proceeds for top Venezuelan officials.

Venezuelan government entities responsible for combating money laundering, terrorist financing, and corruption are inefficient and lack political will. The National Office against Organized Crime and Terrorist Finance has limited operational capabilities. Venezuela’s financial intelligence unit, La Unidad Nacional de Inteligencia Financiera (UNIF), is supervised by the Superintendent of Banking Sector Institutions, which prevents UNIF from operating independently. An increasingly politicized judicial system further compromises the legal system’s effectiveness and impartiality and although the Venezuelan government has organizations to combat financial crimes, their technical capacity and willingness to address this type of crime remains inadequate. The Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended information sharing with the UNIF in 2006 due to an unauthorized disclosure of information that FinCEN had shared with the UNIF. The suspension remains in effect until FinCEN can have assurances that its information will be protected. The UNIF should operate autonomously, independent of undue influence. The Government of

Venezuela should increase institutional infrastructure and technical capacity to effectively implement its AML/CFT legislation and legal mechanisms.

## West Bank and Gaza

The Palestinian Authority (PA) is divided into three West Bank administrative areas, A, B and C, plus the Gaza Strip. The PA provides most governance, services, and security in “Area A” zones of the West Bank. The PA provides some governance and services in “Area B,” in which Israel retains security control. The PA has limited access to approximately 60 percent of the West Bank designated as “Area C,” which remains under full Israeli civil and security control. The PA also has little ability to work in the Gaza Strip, which has been under de facto Hamas control since the 2007 coup, although with the formation of an interim government of independent officials in June 2014 under the Fatah-Hamas reconciliation agreement, ministries based in Gaza are supposed to be under the control of technocrats. Security apparatuses in Gaza remain under the control of Hamas.

The Palestine Monetary Authority (PMA) is an independent agency of the PA and has oversight over Palestinian banks in the West Bank and Gaza. There are 16 banks operating in Palestine, seven local and nine foreign, working through a network of 274 branches and offices in both the West Bank and Gaza. There are also 306 money changers in both the West Bank and Gaza, and nine specialized lending institutions. Hawala networks, both licensed and unlicensed, are widely used for legitimate as well as illicit purposes.

The Palestinian economy is primarily cash-based. There is little data available on the extent of money laundering in the West Bank or Gaza. Minor narcotics trafficking and narcotics-based money laundering are present, principally in Palestinian areas that fall outside of the PA’s security control. Within territory located in Area A, narcotics trafficking and use are not major problems. The PA, however, has no effective control outside of Area A in the West Bank, which increases vulnerability to smuggling of consumer goods. Bulk cash smuggling, intellectual property rights violations, and counterfeit currency cases also have been reported. Trade-based money laundering, customs fraud, and other forms of value transfer allow criminal organizations to earn, move, and store supporting funds and illicit proceeds under the guise of legitimate trade. Currently, Palestinian authorities believe trade-based money laundering and customs fraud are among the largest money laundering threats to the PA but are difficult to quantify. A lack of cooperation between PA and Israeli authorities at a variety of stages from banking reserves to customs tracking complicates assessment and enforcement.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO***

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* List approach  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
**KYC covered entities:** Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 108 in 2015  
*Number of CTRs received and time frame:* 393,276 in 2015  
**STR covered entities:** Banks and other depository and lending institutions; money service businesses; financial leasing providers; funds transfer services; payment issuers; financial guarantors; trusts, and trust and company formation and service providers; foreign exchanges; securities and portfolio companies, managers, and intermediaries; insurers and insurance agents; the Future Contracts Trading Exchange Regulation Authority; real estate agents and brokers; dealers in precious metals and stones, high-value goods, and antiquities; attorneys and accountants; nominee shareholders; and entities providing a registered head office or commercial, store, mailing, or administrative address for a partnership or legal entity or arrangement

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* 98 in 2015  
*Convictions:* 0 in 2015

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* YES  
*With other governments/jurisdictions:* YES

The PA is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body. It has not yet undergone a mutual evaluation.

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The PA became a full member of the MENAFATF in 2015. While it has a very complex patchwork of laws and mechanisms derived from its unique situation, it has some effective laws and regulations to address money laundering, notably the Anti-Monetary Laundering Law #9 of 2007 (AML Law). However, the penal code (which is Jordanian law) is outdated, and most of

the predicate offenses for money laundering are not felonies under this law. Over the past year the PA National Committee for Anti-Money Laundering approved a proposal from the PA's financial intelligence unit, the Financial Fraud Unit (FFU), to amend the AML Law to address these deficiencies, and the draft amendment is currently awaiting approval at the Office of the President. On December 29, 2015, the President signed the new decree.

The PA currently has no laws to specifically address terrorism, terrorist acts, or terrorism financing. Currently, cases considered terrorism are investigated and prosecuted under a specific crime and within the existing penal code, for example, crimes against the state, possession of illegal weapons, and conspiracy.

The PA has an effective supervision and regulatory compliance function for banks. The PMA is responsible for supervision and regulatory compliance of banks, microfinance entities, and money service businesses (MSBs). Recently, the PMA implemented controls over licensed MSBs. The Capital Markets Authority (CMA) supervises the stock market and its members, insurance companies, mortgage companies and leasing firms. These entities reportedly are subject to AML/CFT controls. All other designated non-financial businesses and professions (DNFBPs), such as real estate agents, vehicle dealers, jewelers, etc. active in the West Bank are nominally supervised by the Ministry of Economy, but there are no evident AML/CFT supervisory or compliance programs in place.

The banks file both suspicious transaction reports (STRs) and currency transaction reports (CTRs) through a secure electronic system, which also links to a sophisticated database for use by the FFU's trained analysts. The number of filed STRs more than doubled, from 51 in 2014 to 108 in 2015. CTRs also increased. The FFU also has developed an Unusual Transaction Report (UTR), covering transactions that have not been articulated as suspicious but may bear closer scrutiny or recording. Although the FFU has adequate staffing, authority, and equipment, its full operational effectiveness has not been realized due, in part, to restrictions in the law. Article 31 of AML Law #9 of 2007 restricts information sharing between the FFU and any law enforcement agency, with the exception of the Attorney General's Office (AGO). The restrictions on information sharing have minimized the FFU's function and ability to support law enforcement, although there have been potential avenues opened by secondments among law enforcement, the AGO, and the FFU.

Prosecutors within the AGO are the chief investigators in the PA, with all the powers of an investigative judge. The prosecutors' lack of manpower and financial investigations experience has slowed the successful prosecution of AML cases. The PA has formed a multi-agency task force to address this problem, under which the AGO prosecutors will delegate authority to law enforcement agencies and to the FFU to more thoroughly investigate cases before they are brought before judges. However, the FFU is technically an administrative, not an investigative, FIU, and while law enforcement authorities profess to work complementarily to one another, the degree of financial investigative expertise varies greatly among agencies. Although the task force is intended to increase information sharing between law enforcement agencies and the FFU, only one task force meeting was held during 2015. The situation is even more concerning regarding trade-based money laundering, as customs authorities are unable to get customs or border trade information from their primary counterparts, and therefore reduced to inspections of

goods for expiration dates and quality control, instead of conducting investigations. The PA continues to struggle to conclude AML cases primarily due to the limited capacity of police to investigate and document financial crimes appropriately. In 2015, there were 23 acquittals, 37 cases dismissed by the attorney general due to lack of evidence, 10 cases still under investigation, and 28 pending in court.

The PA acceded to the UN Convention Against Corruption in 2014. Although compliant with the UN Convention against Transnational Organized Crime and the 1988 UN Drug Convention, the PA is not a signatory of these conventions. The PA is currently not in compliance with any UN convention related to terrorism, terrorist acts, or terrorism financing, or UN Resolutions 1267 or 1373.

The PA should take steps to supervise for AML/CFT purposes all entities covered under the AML Law, especially the DNFBPs.

## Zimbabwe

Zimbabwe is not a regional financial center, but it does face problems related to money laundering and corruption. Serious financial crime in Zimbabwe generally appears in the form of various violations of exchange control rules; underground banking; cross-border crime; organized syndicates, both domestic and international; non-transparency in diamond production receipts; and increased cooperation among criminal networks and links with legal business activity, resulting in corruption and bribery.

Regulatory and enforcement deficiencies in Zimbabwe's AML/CFT regime expose the country to illicit finance risks, but there are no reliable data as to the actual extent of the problem. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Nearly all transactions in Zimbabwe are carried out with either the U.S. dollar or the South African rand.

The United States, Canada, Australia, and the EU have imposed targeted financial sanctions and travel restrictions on some political leaders and a limited number of private companies and state-owned enterprises for complicity in human rights abuses or for undermining democratic processes or institutions in Zimbabwe. Effective November 1, 2014, the EU lifted Article 96 restrictions, which previously limited EU development assistance to Zimbabwe. Currently, the EU maintains active restrictions against President Mugabe, Grace Mugabe, and Zimbabwe Defense Industries, and an arms embargo. The EU reviews its restrictions annually. Although the EU delisted the Zimbabwe Mining Development Corporation (ZMDC) and the Minerals Marketing Corporation of Zimbabwe (MMCZ) from its list of sanctioned entities in September 2013, the United States maintains sanctions on the ZMDC and MMCZ.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

***DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT***

**AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO**

**CRIMINALIZATION OF MONEY LAUNDERING:**

*“All serious crimes” approach or “list” approach to predicate crimes:* All serious crimes  
*Are legal persons covered:* *criminally:* YES *civilly:* YES

**KNOW-YOUR-CUSTOMER (KYC) RULES:**

*Enhanced due diligence procedures for PEPs:* *Foreign:* YES *Domestic:* YES  
*KYC covered entities:* Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

**REPORTING REQUIREMENTS:**

*Number of STRs received and time frame:* 355: January 1 - October 31, 2014  
*Number of CTRs received and time frame:* Not applicable  
*STR covered entities:* Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

**MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:**

*Prosecutions:* Not available  
*Convictions:* Not available

**RECORDS EXCHANGE MECHANISM:**

*With U.S.:* *MLAT:* NO *Other mechanism:* NO  
*With other governments/jurisdictions:* YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. Its most recent mutual evaluation can be found at: [http://www.esaamlg.org/userfiles/Zimbabwe\\_detailed\\_report.pdf](http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf)

**ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:**

The Government of Zimbabwe sometimes abuses AML legislation for political purposes. Widespread corruption impedes the proper implementation of Zimbabwe’s AML/CFT regime. Although several reform-oriented ministers from the opposition party are no longer in the government, Parliament’s 20 portfolio committees, including some chaired by opposition members of parliament, continue to offer opportunities for oversight of the executive branch.

Due primarily to production in the Marange diamond fields, Zimbabwe is the world’s sixth largest producer of diamonds by volume. Yet Zimbabwe’s diamond revenue is non-transparent. There have been reports of collusion between some mining companies and members of the military and secret police. In a form of trade and service-based laundering, management of the mining companies also presented grossly inflated procurement receipts for mining equipment

and other materials and, according to government reports, pocketed the difference. The Ministry of Finance has promised to tighten controls in future legislation and to enhance the revenue authority's oversight of the production and sale of diamonds. Ultimate responsibility for this legislation lies with the Ministry of Mines and Mining Development. The ministry has not yet produced a draft act, but the Minister of this department has promised to improve accountability within the diamond mining sector.

Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and financial crimes investigators. Regulatory and law enforcement agencies lack the resources and capacity to effectively combat money laundering. Many financial institutions are unaware of – or simply fail to comply with – their obligations to file STRs. During the period under review, Zimbabwe's Financial Intelligence Unit (FIU) noted improved cooperation between itself and the law enforcement agencies.

Zimbabwe's framework to freeze terrorist assets has yet to be proven effective. Financial institutions typically receive information related to UN designations from private sources or companies rather than from the government.

Between January and October 2015, the FIU referred eight cases to relevant law enforcement agencies for further investigation. The outcomes of 2013, 2014, and 2015 investigations and prosecutions are still pending.

The Money Laundering and Proceeds of Crime Act (MLPCA) of 2013 brought amendments to the Bank Use Promotions and Suppressing of Money Laundering Act, Building Societies Act, Criminal Matters (Mutual Assistance) Act and the Asset Management Act.

The MLPCA widens the applicability of the Criminal Matters Act (CMA), which deals with mutual legal assistance and appears to assist the investigation and prosecution of terrorist financing. However, this has not yet been demonstrated. While the MLPCA removes key legal impediments to mutual legal assistance, only effective implementation of the CMA will demonstrate its effectiveness. The MLPCA also bars citizens from dealing with shell banks.

Zimbabwe has made some progress in improving its AML/CFT regime. The FIU is fully operational and there have been political commitments to continue the development of anti-money laundering countermeasures. Zimbabwe should ensure that implementation of the MLPCA is underway, combat widespread corruption that permeates government and commerce, and take steps to investigate and prosecute money launderers.